

JAMES HARGREAVES (PLUMBERS' MERCHANTS) LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Fair review of the business

The company's growth in turnover has continued. Turnover has increased by £11.4m, an increase of 14.7%. The company cut back heavily on the amount of ECO business due to decreasing margins and increasing risks. However, the reduction in turnover is anticipated to be replaced by the continued programme of opening new branches in the North and Midlands.

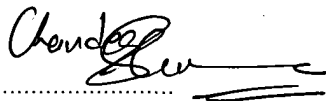
Margins have remained constant. Selling price competition for products is not healthy for trading conditions. The company's focus remains on service and always will do.

I.T. improvements remain central to the company's development. Investments have been made in all areas within the business in respect of I.T., particularly in the development of a new integrated Enterprise Resource Planning (ERP) system to deliver further efficiencies.

Retained profit for the year after dividends amounts to an increase in equity of £4,125,090 (16%) to a total equity value of £30m. Cash at bank has increased by £2m year on year, with significant fixed asset investments having been funded.

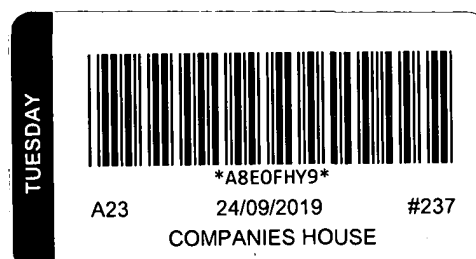
The directors anticipate continued controlled growth in an uncertain trading climate.

On behalf of the board



C M Sharma
Director

19/09/2019



JAMES HARGREAVES (PLUMBERS' MERCHANTS) LTD

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 a wholesale plumbers' merchants.

Directors

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

G J Rothwell
C Bridge
W Davies
D Eddison
C M Sharma

Results and dividends

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

Ordinary dividends were paid amounting to £646,244. The directors do not recommend payment of a final dividend.

Financial instruments

Financial instruments

Objectives and policies

The company finances its operations through a mixture of retained profits, and where necessary to fund expansion or capital expenditure programmes through bank borrowing.

The management's objectives are to:

- retain sufficient liquid funds to enable it to meet its day to day obligations as they fall due whilst maximising returns on surplus funds;
- minimise the company's exposure to fluctuating interest rates when seeking new borrowings; and
- match the repayment schedule of any external borrowings or overdrafts with the expected future cash flows expected to arise from the company's trading activities.

As the company's funds are invested in sterling bank deposit accounts there is no price risk exposure. The company's funds are held primarily in short term variable deposit accounts. The directors believe that this gives them the flexibility to release cash resources at short notice and also allows them to take advantage of changing conditions in the finance markets as they arise.

All deposits are with reputable United Kingdom banks,

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

JAMES HARGREAVES (PLUMBERS' MERCHANTS) LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

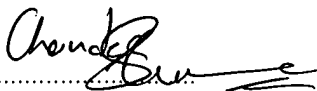
Auditor

Baldwins Audit Services (previously trading as Cassons Audit Services).

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.

On behalf of the board



C M Sharma

Director

Date: 19/09/2019

JAMES HARGREAVES (PLUMBERS' MERCHANTS) LTD

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

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 (United Kingdom Accounting Standards and applicable law). 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

JAMES HARGREAVES (PLUMBERS' MERCHANTS) LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JAMES HARGREAVES (PLUMBERS' MERCHANTS) LTD

Opinion

We have audited the financial statements of James Hargreaves (Plumbers' Merchants) Ltd (the 'company') for the year ended 31 December 2018 which comprise the statement of income and retained earnings, the balance sheet 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.

JAMES HARGREAVES (PLUMBERS' MERCHANTS) LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF JAMES HARGREAVES (PLUMBERS' MERCHANTS) LTD

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.

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.



Mr Nicholas Stockton (Senior Statutory Auditor)
for and on behalf of Baldwins Audit Services

Statutory Auditor


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St Crispin House
St Crispin Way
Rossendale
BB4 4PW

JAMES HARGREAVES (PLUMBERS' MERCHANTS) LTD

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 £ | 2017 £ |
|--|----------|-------------------|-------------------|
| Turnover | | 88,611,068 | 77,259,364 |
| Cost of sales | | (64,901,839) | (56,356,034) |
| Gross profit | | 23,709,229 | 20,903,330 |
| Distribution costs | | (1,256,800) | (1,130,099) |
| Administrative expenses | | (16,527,445) | (14,463,234) |
| Other operating income | | 34,500 | 34,611 |
| Operating profit | 3 | 5,959,484 | 5,344,608 |
| Interest receivable and similar income | 6 | 2,194 | 1,195 |
| Interest payable and similar expenses | 7 | (40,344) | (45,746) |
| Profit before taxation | | 5,921,334 | 5,300,057 |
| Tax on profit | 8 | (1,150,000) | (1,049,276) |
| Profit for the financial year | | 4,771,334 | 4,250,781 |
| Retained earnings brought forward | | 25,223,849 | 21,288,619 |
| Dividends | 9 | (646,244) | (315,551) |
| Retained earnings carried forward | | <u>29,348,939</u> | <u>25,223,849</u> |

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

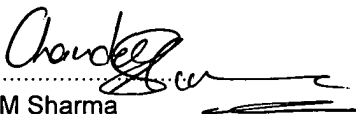
JAMES HARGREAVES (PLUMBERS' MERCHANTS) LTD

BALANCE SHEET

AS AT 31 DECEMBER 2018

| | Notes | 2018 £ | £ | 2017 £ | £ |
|---|-------|--------------|------------|--------------|------------|
| Fixed assets | | | | | |
| Intangible assets | 10 | 353,083 | | 186,444 | |
| Tangible assets | 11 | 5,756,072 | | 5,170,716 | |
| | | | 6,109,155 | | 5,357,160 |
| Current assets | | | | | |
| Stocks | 12 | 12,468,704 | | 11,919,380 | |
| Debtors | 13 | 22,664,568 | | 21,820,931 | |
| Cash at bank and in hand | | 4,836,300 | | 2,869,958 | |
| | | | 39,969,572 | | 36,610,269 |
| Creditors: amounts falling due within one year | 14 | (16,225,709) | | (16,239,501) | |
| Net current assets | | | 23,743,863 | | 20,370,768 |
| Total assets less current liabilities | | | 29,853,018 | | 25,727,928 |
| Capital and reserves | | | | | |
| Called up share capital | | 126,862 | | 126,862 | |
| Share premium account | | 339,079 | | 339,079 | |
| Capital redemption reserve | | 38,138 | | 38,138 | |
| Profit and loss reserves | | 29,348,939 | | 25,223,849 | |
| Total equity | | | 29,853,018 | | 25,727,928 |

The financial statements were approved by the board of directors and authorised for issue on 19 September 2019 and are signed on its behalf by:


C M Sharma
Director

Company Registration No. 00188491

JAMES HARGREAVES (PLUMBERS' MERCHANTS) LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

James Hargreaves (Plumbers' Merchants) Ltd is a private company limited by shares incorporated in England and Wales. The registered office is Todmorden Road, Burnley, Lancashire, BB11 3JT.

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.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of James Hargreaves Holdings Limited, of the same registered office address.

James Hargreaves (Plumbers' Merchants) Ltd is a wholly owned subsidiary of James Hargreaves PM Limited. James Hargreaves PM Limited is a wholly owned subsidiary of James Hargreaves Holdings Limited. The results of James Hargreaves (Plumbers' Merchants) Ltd are included in the consolidated financial statements of James Hargreaves Holdings Limited which are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

1.2 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, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

JAMES HARGREAVES (PLUMBERS' MERCHANTS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.3 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Amortisation 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:

| | |
|----------|---------------------------------------|
| Licences | over 5 years on a straight line basis |
|----------|---------------------------------------|

1.4 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.

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 | 2% per annum straight line |
| Fixtures and fittings | 10 per annum straight line and 25% per annum reducing balance |
| Computers | 20% per annum straight line |
| Motor vehicles | 25% per annum reducing balance |

1.5 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

Provisions are made against slow moving, obsolete and surplus stock.

1.6 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand and deposits held at call.

1.7 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 debtors and cash and bank balances, are measured at transaction price including transaction costs.

JAMES HARGREAVES (PLUMBERS' MERCHANTS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

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.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans that are classified as debt, are initially recognised at transaction price.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised at transaction price.

1.8 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.

1.9 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.

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.

1.10 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.

1.11 Retirement benefits

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

JAMES HARGREAVES (PLUMBERS' MERCHANTS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.12 Leases

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

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

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 Operating profit

| | 2018 | 2017 |
|---|-----------|-----------|
| | £ | £ |
| Operating profit for the year is stated after charging/(crediting): | | |
| Fees payable to the company's auditor for the audit of the company's financial statements | 17,500 | 17,500 |
| Depreciation of owned tangible fixed assets | 840,253 | 680,772 |
| Profit on disposal of tangible fixed assets | (1,875) | (4,707) |
| Amortisation of intangible assets | 52,484 | 42,180 |
| Operating lease charges | 1,215,996 | 1,083,599 |

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

| | 2018 | 2017 |
|-----------------------------------|--------|--------|
| | Number | Number |
| Administration and support | 36 | 37 |
| Sales, marketing and distribution | 279 | 255 |
| | 315 | 292 |

JAMES HARGREAVES (PLUMBERS' MERCHANTS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

4 Employees

(Continued)

Their aggregate remuneration comprised:

| | 2018 £ | 2017 £ |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 10,091,979 | 9,137,564 |
| Social security costs | 1,053,616 | 926,702 |
| Pension costs | 365,467 | 335,380 |
| | <u>11,511,062</u> | <u>10,399,646</u> |

5 Directors' remuneration

| | 2018 £ | 2017 £ |
|---|------------------|------------------|
| Remuneration for qualifying services | 1,866,702 | 1,717,958 |
| Company pension contributions to defined contribution schemes | 73,142 | 112,694 |
| | <u>1,939,844</u> | <u>1,830,652</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2017 - 4).

Remuneration disclosed above include the following amounts paid to the highest paid director:

| | 2018 £ | 2017 £ |
|--------------------------------------|------------------|----------------|
| Remuneration for qualifying services | <u>1,035,000</u> | <u>983,000</u> |

6 Interest receivable and similar income

| | 2018 £ | 2017 £ |
|-----------------------|--------------|--------------|
| Interest income | | |
| Other interest income | <u>2,194</u> | <u>1,195</u> |

7 Interest payable and similar expenses

| | 2018 £ | 2017 £ |
|---|---------------|---------------|
| Interest on bank overdrafts and loans | 7,905 | 23,542 |
| Other interest on financial liabilities | 32,439 | 22,204 |
| | <u>40,344</u> | <u>45,746</u> |

JAMES HARGREAVES (PLUMBERS' MERCHANTS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

(Continued)

8 Taxation

| | 2018 £ | 2017 £ |
|--|------------------|------------------|
| Current tax | | |
| UK corporation tax on profits for the current period | 1,131,835 | 1,060,000 |
| Adjustments in respect of prior periods | 18,165 | (10,724) |
| | <u>1,150,000</u> | <u>1,049,276</u> |
| Total current tax | <u>1,150,000</u> | <u>1,049,276</u> |

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 | <u>5,921,334</u> | <u>5,300,057</u> |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.30%) | 1,125,053 | 1,022,911 |
| Tax effect of expenses that are not deductible in determining taxable profit | 9,575 | 10,094 |
| Differences between capital allowances and depreciation | (2,793) | 26,995 |
| Under/(over) provided in prior years | 18,165 | (10,724) |
| | <u>1,150,000</u> | <u>1,049,276</u> |
| Taxation charge for the year | <u>1,150,000</u> | <u>1,049,276</u> |

9 Dividends

| | 2018 £ | 2017 £ |
|--------------|----------------|----------------|
| Interim paid | <u>646,244</u> | <u>315,551</u> |

JAMES HARGREAVES (PLUMBERS' MERCHANTS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

10 Intangible fixed assets

| | Licences £ |
|------------------------------------|---------------|
| Cost | |
| At 1 January 2018 | 440,896 |
| Additions | 219,123 |
| At 31 December 2018 | 660,019 |
| Amortisation and impairment | |
| At 1 January 2018 | 254,452 |
| Amortisation charged for the year | 52,484 |
| At 31 December 2018 | 306,936 |
| Carrying amount | |
| At 31 December 2018 | 353,083 |
| At 31 December 2017 | 186,444 |

11 Tangible fixed assets

| | Land and buildings £ | Property improvements, fixtures and fittings £ | Total £ |
|------------------------------------|----------------------------|--|------------|
| Cost | | | |
| At 1 January 2018 | 2,967,268 | 7,875,834 | 10,843,102 |
| Additions | 54,772 | 1,387,121 | 1,441,893 |
| Disposals | - | (136,615) | (136,615) |
| At 31 December 2018 | 3,022,040 | 9,126,340 | 12,148,380 |
| Depreciation and impairment | | | |
| At 1 January 2018 | 638,194 | 5,034,192 | 5,672,386 |
| Depreciation charged in the year | 46,992 | 793,261 | 840,253 |
| Eliminated in respect of disposals | - | (120,331) | (120,331) |
| At 31 December 2018 | 685,186 | 5,707,122 | 6,392,308 |
| Carrying amount | | | |
| At 31 December 2018 | 2,336,854 | 3,419,218 | 5,756,072 |
| At 31 December 2017 | 2,329,074 | 2,841,642 | 5,170,716 |

JAMES HARGREAVES (PLUMBERS' MERCHANTS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

11 Tangible fixed assets (Continued)

The carrying value of land and buildings comprises:

| | 2018 £ | 2017 £ |
|----------------|------------------|------------------|
| Freehold | 781,884 | 800,161 |
| Long leasehold | 1,554,970 | 1,528,913 |
| | <u>2,336,854</u> | <u>2,329,074</u> |

12 Stocks

| | 2018 £ | 2017 £ |
|-------------------------------------|-------------------|-------------------|
| Finished goods and goods for resale | <u>12,468,704</u> | <u>11,919,380</u> |

13 Debtors

| | 2018 £ | 2017 £ |
|--------------------------------------|-------------------|-------------------|
| Amounts falling due within one year: | | |
| Trade debtors | 12,800,237 | 11,694,088 |
| Other debtors | 13,242 | 605 |
| Prepayments and accrued income | 4,121,668 | 4,576,353 |
| | <u>16,935,147</u> | <u>16,271,046</u> |

| | 2018 £ | 2017 £ |
|---|-------------------|-------------------|
| Amounts falling due after more than one year: | | |
| Amounts owed by group undertakings | 5,519,929 | 5,348,385 |
| Other debtors | 209,492 | 201,500 |
| | <u>5,729,421</u> | <u>5,549,885</u> |
| Total debtors | <u>22,664,568</u> | <u>21,820,931</u> |

JAMES HARGREAVES (PLUMBERS' MERCHANTS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

14 Creditors: amounts falling due within one year

| | Notes | 2018 £ | 2017 £ |
|------------------------------------|-------|-------------------|-------------------|
| Bank loans and overdrafts | 15 | - | 665,440 |
| Other loans | 15 | 700,512 | 693,929 |
| Trade creditors | | 11,013,413 | 10,823,453 |
| Corporation tax | | 600,000 | 580,000 |
| Other taxation and social security | | 1,619,834 | 1,001,235 |
| Other creditors | | 11,956 | 93,937 |
| Accruals and deferred income | | 2,279,994 | 2,381,507 |
| | | <u>16,225,709</u> | <u>16,239,501</u> |

15 Loans and overdrafts

| | 2018 £ | 2017 £ |
|-------------------------|----------------|------------------|
| Bank loans | - | 665,440 |
| Other loans | 700,512 | 693,929 |
| | <u>700,512</u> | <u>1,359,369</u> |
| Payable within one year | <u>700,512</u> | <u>1,359,369</u> |

All bank borrowings are secured by fixed and floating charge on the assets of the company, a debenture dated 23/03/1984 and an unlimited guarantee by James Hargreaves PM Limited dated 29/04/2008.

Other loans are unsecured, bear interest at 2.75% per annum and are repayable on demand.

16 Retirement benefit schemes

| Defined contribution schemes | 2018 £ | 2017 £ |
|---|----------------|----------------|
| Charge to profit or loss in respect of defined contribution schemes | <u>365,467</u> | <u>335,380</u> |

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.

JAMES HARGREAVES (PLUMBERS' MERCHANTS) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

17 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2018 £ | 2017 £ |
|----------------------------|------------------|------------------|
| Within one year | 1,013,104 | 1,061,578 |
| Between two and five years | 2,758,818 | 2,506,127 |
| In over five years | 1,952,954 | 1,510,790 |
| | <u>5,724,876</u> | <u>5,078,495</u> |

18 Capital commitments

Amounts contracted for but not provided in the financial statements:

| | 2018 £ | 2017 £ |
|----------------------------------|----------------|-----------|
| Acquisition of intangible assets | <u>104,000</u> | <u>-</u> |

19 Related party transactions

Summary of transactions with parent

The company's immediate parent is James Hargreaves PM Limited. The company has an outstanding balance due from James Hargreaves PM Limited of £1,486,507 (2017 - £1,751,507) which is unsecured, interest free and with no set repayment date.

The company's ultimate parent company is James Hargreaves Holdings Limited. The company has an outstanding balance due from James Hargreaves Holdings Limited of £4,033,422 (2017 - £3,596,878) which is unsecured, interest free and with no set repayment date.

20 Controlling party

The company's immediate parent is James Hargreaves PM Limited, incorporated in England and Wales.

The most senior parent entity producing publicly available financial statements is James Hargreaves Holdings Limited. The consolidated financial statements of the group are available upon request from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The ultimate controlling party is G J Rothwell by virtue of his family interest.