

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
FOR  
SMITH BROTHERS STORES LIMITED**

Magma Audit LLP  
Chartered Accountants  
Statutory Auditor  
Magma House, 16 Davy Court  
Castle Mound Way  
Rugby  
CV23 0UZ

CONTENTS OF THE FINANCIAL STATEMENTS  
for the year ended 30 September 2019

---

	<b>Page</b>
<b>Company Information</b>	1
<b>Strategic Report</b>	2
<b>Report of the Directors</b>	3
<b>Statement of Directors' Responsibilities</b>	5
<b>Report of the Independent Auditors</b>	6
<b>Statement of Comprehensive Income</b>	8
<b>Balance Sheet</b>	9
<b>Statement of Changes in Equity</b>	10
<b>Notes to the Financial Statements</b>	11

**SMITH BROTHERS STORES LIMITED**

**COMPANY INFORMATION**  
for the year ended 30 September 2019

---

**DIRECTORS:**

M J Beasley  
D A Bryson  
M K Denton  
M F Heatlie  
S R Smith  
C J Smith  
A D Smith  
D C Wildman

**REGISTERED OFFICE:**

Unit V2  
Blaby Industrial Park  
Winchester Avenue  
Blaby  
Leicestershire  
LE8 4GZ

**REGISTERED NUMBER:**

00962846 (England and Wales)

**AUDITORS:**

Magma Audit LLP  
Chartered Accountants  
Statutory Auditor  
Magma House, 16 Davy Court  
Castle Mound Way  
Rugby  
CV23 0UZ

**STRATEGIC REPORT**  
for the year ended 30 September 2019

---

The Directors are pleased to present the strategic report together with the audited financial statements for the successful year ending 30 September 2019.

**Introduction**

The company targets service excellence supplying to the commercial and industrial mechanical services sector. The core business specialises in the distribution of pipework, valves, air conditioning along with all associated fittings and ancillaries through its branch network. The company has continued down the path of promoting its core three attributes within the sector that its customers have come to expect which are; Staff, Stock and Service.

**REVIEW OF BUSINESS**

The underlying results from the year continue to highlight a strong position within the marketplace. Turnover surpassed £100 million for the second consecutive year totalling £116,236,858 which highlights a marked 11.18% improvement from the previous year. The margin for the year maintained a healthy level of 29.11%, which during a period of uncertainty shown an impressive profit before Tax of £8,696,644 from £8,976,669 the previous year.

During the year a final dividend relating to the year ending 30th September 2018 of £3,200,000 was paid and declared and an interim dividend of £5,500,000 relating to the year ending 30th September 2019 was paid out. A final dividend of £1,600,000 will be declared and paid within one week of these accounts being signed.

During the trading year we relocated three depot locations to larger more modern premises. The company remains confident about both the existing and future strategy of the business. Expansion remains an important aspect of the organisational growth when the right opportunities present themselves, with sustainability at the heart of any investment.

We remain a customer focused business with the operation geared towards our three USP's mentioned above, giving both the customers and industry a valued distribution partner. While increasing both the product portfolio and geographical coverage, our existing operation is never comprised with the objective to provide an unrivalled level of service along with competitive pricing, aspiring to surpass customer expectations.

Notable highlights throughout the year was winning the coveted accolade of the Wholesaler/Distributor of the Year 2019 for second consecutive year.

**PRINCIPAL RISKS AND UNCERTAINTIES**

As required under the Companies Act legislation, we set out some risk factors below which could affect our business in the future. The factors listed should not be of all potential risks and uncertainties. With good governance, these risks can be managed as the business possesses the adequate skills to monitor and alleviate such potential problems.

We need to manage our credit control carefully as credit insurance cover for some customers continues to be difficult to obtain, and we need to carefully manage our access to working capital and ensure that our management and systems are not overstretched as we continue to expand.

While Brexit remains an important risk/uncertainty with the full extent currently unknown to the industry. Like most companies, we continue to monitor the situation although at this stage it is too early to see the full impact this will have on the company until post January 2020 and again in 2021 after the transition period.

We have considered the effect of COVID-19 outbreak and the impact this may have had on the Company, and although unclear what longer term impact this will have on the trade, we are informed by the Government's guidance that the issue will be time limited.

This will continue to be a developing situation and as such a reasonable estimate of the financial effect of this outbreak on the company cannot feasibly be made.

**FINANCIAL KEY PERFORMANCE INDICATORS**

Given the nature of the business, the company Directors believe no individual analysis or KPI's is for an understanding of the development, performance or position of the business.

**ON BEHALF OF THE BOARD:**

D A Bryson - Director

5 May 2020

**REPORT OF THE DIRECTORS**  
**for the year ended 30 September 2019**

---

The directors present their report with the financial statements of the company for the year ended 30 September 2019.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of The core business specialises in the distribution of pipework, valves, air conditioning along with all associated fittings and ancillaries through its branch network targeting the commercial and industrial mechanical service sectors. The company has continued down the path of promoting three attributes within the sector that our customers have come to know and love; STOCK, STAFF, SERVICE.

**DIVIDENDS**

The company declared and paid a final dividend of £3,200,000 for the year ended 30th September 2018 and paid an interim dividend of £5,500,000 for the year ended 30th September 2019. A final dividend of £1,600,000 will be paid and declared within one week of these accounts being signed.

**Results**

The profit for the year, after taxation, amounted to £7,047,750 (2018- £7,288,650).

**Business review**

A review of the business and its principal risks and uncertainties is set out in the strategic report on page 2 of these financial statements.

**EVENTS SINCE THE END OF THE YEAR**

Information relating to events since the end of the year is given in the notes to the financial statements.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 October 2018 to the date of this report.

M J Beasley  
D A Bryson  
M K Denton  
M F Heatlie  
S R Smith  
C J Smith  
A D Smith  
D C Wildman

**FINANCIAL INSTRUMENTS**

The company uses financial instruments, which include cash borrowings, cash and other liquid resources. The main risks arising from the company's financial instruments are interest rate changes and liquidity risk. The directors regularly review and agree policies for the mitigation of these risks.

**REPORT OF THE DIRECTORS**  
for the year ended 30 September 2019

---

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The company uses financial instruments, other than derivatives, comprising inter-company borrowings, cash, other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main risks arising from the group's financial instruments are liquidity and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from the previous year.

**Liquidity risk**

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

**Credit Risk**

In order to limit risk the directors set limits for customers based on a combination of payment history and third party credit references. Debtor balances are reviewed on a regular basis in conjunction with debt ageing and collection history.

**Brexit**

Brexit will remain an important risk/uncertainty with the full extent currently unknown to the industry over the coming months until post January 21.

**COVID-19**

Since the balance sheet date the world has suffered a COVID-19 outbreak. The directors have considered the impact of this on the company, which they have summarised in the strategic report and on note 23.

**Qualifying third party indemnity provisions**

During the period and up to the date of this report director's indemnity insurance was in place. This covers all qualifying directors.

**Employee Involvement**

Group employees are kept informed on matters of concern to them, including those factors affecting the performance and future of the business. Group employees are consulted about changes in work methods and systems, terms and conditions of employment, job security, and other matters affecting their working environment.

**Disabled Employees**

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 with the company is continued and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**ON BEHALF OF THE BOARD:**

D A Bryson - Director

5 May 2020

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**for the year ended 30 September 2019**

---

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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;
- 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
SMITH BROTHERS STORES LIMITED**

---

**Opinion**

We have audited the financial statements of Smith Brothers Stores Limited (the 'company') for the year ended 30 September 2019 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 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 Auditors' 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 in the Strategic Report, the Report of the Directors and the Statement of Directors' Responsibilities, but does not include the financial statements and our Report of the Auditors 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 the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

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

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

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.

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SMITH BROTHERS STORES LIMITED

---

### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities, 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 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.

### **Auditors' 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 a Report of the Auditors 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 [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

### **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 a Report of the Auditors 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.

Richard Lodder (Senior Statutory Auditor)  
for and on behalf of Magma Audit LLP  
Chartered Accountants  
Statutory Auditor  
Magma House, 16 Davy Court  
Castle Mound Way  
Rugby  
CV23 0UZ

6 May 2020

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 30 September 2019

	Notes	2019 £	2018 £
<b>TURNOVER</b>	4	116,236,858	104,546,217
Cost of sales		<u>(82,404,350)</u>	<u>(73,527,981)</u>
<b>GROSS PROFIT</b>		33,832,508	31,018,236
Administrative expenses		<u>(25,437,172)</u>	<u>(22,356,255)</u>
		8,395,336	8,661,981
Other operating income	5	<u>294,560</u>	<u>313,805</u>
<b>OPERATING PROFIT</b>	7	8,689,896	8,975,786
Interest receivable and similar income		<u>6,748</u>	<u>883</u>
<b>PROFIT BEFORE TAXATION</b>		8,696,644	8,976,669
Tax on profit	9	<u>(1,648,894)</u>	<u>(1,688,019)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		7,047,750	7,288,650
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>7,047,750</u>	<u>7,288,650</u>

## SMITH BROTHERS STORES LIMITED (REGISTERED NUMBER: 00962846)

**BALANCE SHEET**  
30 September 2019

	Notes	2019 £	2018 £
<b>FIXED ASSETS</b>			
Tangible assets	11	862,149	829,594
Investments	12	<u>1,000</u>	<u>1,000</u>
		<u>863,149</u>	<u>830,594</u>
<b>CURRENT ASSETS</b>			
Stocks	13	15,367,413	12,890,736
Debtors	14	29,601,872	29,518,408
Cash at bank		<u>8,919,320</u>	<u>4,540,126</u>
		<u>53,888,605</u>	46,949,270
<b>CREDITORS</b>			
Amounts falling due within one year	15	<u>(53,020,482)</u>	<u>(44,422,453)</u>
<b>NET CURRENT ASSETS</b>		<u>868,123</u>	<u>2,526,817</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,731,272	3,357,411
<b>PROVISIONS FOR LIABILITIES</b>	17	<u>(26,111)</u>	-
<b>NET ASSETS</b>		<u>1,705,161</u>	<u>3,357,411</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	3,000	3,000
Retained earnings	19	<u>1,702,161</u>	<u>3,354,411</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>1,705,161</u>	<u>3,357,411</u>

The financial statements were approved by the Board of Directors and authorised for issue on 5 May 2020 and were signed on its behalf by:

D A Bryson - Director

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 30 September 2019

	Called up share capital £	Retained earnings £	Total equity £
<b>Balance at 1 October 2017</b>	3,000	1,965,761	1,968,761
<b>Changes in equity</b>			
Dividends	-	(5,900,000)	(5,900,000)
Total comprehensive income	-	7,288,650	7,288,650
<b>Balance at 30 September 2018</b>	<u>3,000</u>	<u>3,354,411</u>	<u>3,357,411</u>
<b>Changes in equity</b>			
Dividends	-	(8,700,000)	(8,700,000)
Total comprehensive income	-	7,047,750	7,047,750
<b>Balance at 30 September 2019</b>	<u>3,000</u>	<u>1,702,161</u>	<u>1,705,161</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 September 2019

1. **STATUTORY INFORMATION**

Smith Brothers Stores Limited is a private company, limited by shares, incorporated in England & Wales under the Companies Act. The address of the registered office is given on the company information page and the nature of the group's operations and its principal activities are set out in the strategic report.

2. **ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

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

The following principal accounting policies have been applied:

**Going concern**

At the time of approving the financial statements, the directors have considered the impact of the COVID-19 outbreak on the business and consider 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.

**Financial Reporting Standard 102 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

**Financial reporting standard 102 - reduced disclosure exemptions**

The financial statements contain information about Smith Brothers Stores Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Smith Brothers (Leicester) Limited, 295 Ayelstone Road, Leicester, LE2 7QJ.

**Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- The Company has transferred the significant risks and rewards of ownership to the buyer;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the Company will receive the consideration due under the transaction;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 30 September 2019

**2. ACCOUNTING POLICIES - continued****Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to comprehensive income during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Motor vehicles cars	25% - 33% per annum on a reducing balance
Fixtures and fittings	15% per annum on a reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date. Depreciation or Profit / Loss on disposals for additions and disposals is treated in the month the asset or disposal was acquired / disposed.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

**Investments in subsidiaries**

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Comprehensive Income Account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in comprehensive income for the period.

**Stocks**

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

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS - continued  
for the year ended 30 September 2019

---

2. ACCOUNTING POLICIES - continued

**Financial instruments**

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances and investments are initially recognised at transaction price, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies 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 creditors 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 initially at transaction price and subsequently measured at amortised cost using the effective interest method.

**Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Comprehensive Income Account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Foreign currency translation**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Comprehensive Income Account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Comprehensive Income Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Comprehensive Income Account within 'other operating income'.

NOTES TO THE FINANCIAL STATEMENTS - continued  
for the year ended 30 September 2019

---

2. ACCOUNTING POLICIES - continued

**Operating leases: the company as a lessee**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Comprehensive Income Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

**Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**Finance costs**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**Provisions for liabilities and charges**

Provisions are made where an event has taken place that gives the company a legal and constructive obligation that probably requires settlement by a transfer of economic benefit and a reliable estimate can be made of the amount of the obligation.

Provisions are charges as an expense to the income statement in the year that the company becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account the relevant risks and uncertainties.

Payments made are charged to other creditors in the balance sheet.

**Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when declared and approved by the shareholders at an annual general meeting.

**Interest income**

Interest income is recognised in the Comprehensive Income Account using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 30 September 2019

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In preparing these financial statements the directors have had to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historic experience and various other factors that are believed to be reasonable under circumstances. The results of which form the basis of making the judgements about carrying values of assets and liabilities and are not readily apparent from other sources. Actual results may differ from these estimates. The significant judgements, estimates and assumptions are:

**i) Trade Debtors**

At each reporting date, trade debtors are assessed for recoverability. If there is any evidence of impairment, the carrying amount of the debtor is reduced to its recoverable amount. The impairment loss is recognised immediately in the income statement.

**ii) Tangible fixed assets**

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

**iii) Stock**

At each reporting date, stocks are assessed for impairment. If there is any evidence of impairment, the carrying amount of the stock is reduced to its recoverable amount. The impairment loss is recognised immediately in the income statement.

**iv) Provisions**

Accruals are made for asset retirement obligations, dilapidations and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

**4. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2019 £	2018 £
United Kingdom	<b>116,236,858</b>	104,546,217
	<b><u>116,236,858</u></b>	<u>104,546,217</u>

**5. OTHER OPERATING INCOME**

	2019 £	2018 £
Commissions receivable	<b><u>294,560</u></b>	<u>313,805</u>

**6. EMPLOYEES AND DIRECTORS**

	2019 £	2018 £
Wages and salaries	16,195,612	14,000,925
Social security costs	1,904,868	1,644,082
Other pension costs	412,787	389,213
	<b><u>18,513,267</u></b>	<u>16,034,220</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 30 September 2019

**EMPLOYEES AND DIRECTORS - continued**

The average number of employees during the year was as follows:

	2019	2018
Directors	8	8
Other staff	<u>328</u>	<u>281</u>
	<u>336</u>	<u>289</u>

	2019	2018
	£	£
Directors' remuneration	<u>3,649,307</u>	<u>3,375,210</u>

Information regarding the highest paid director is as follows:

	2019	2018
	£	£
Emoluments etc	883,922	884,304
Accrued pension at 30 September 2019	<u>-</u>	<u>-</u>

The number of directors to whom retirement benefits were accruing were as follows:

Defined contribution scheme	<u>3</u>	<u>3</u>
-----------------------------	----------	----------

The key management personnel are considered to be the directors.

**7. OPERATING PROFIT**

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

	2019	2018
	£	£
Other operating leases	2,406,600	2,113,215
Depreciation - owned assets	148,857	139,082
Loss/(profit) on disposal of fixed assets	171,089	(1,478)
Exchange differences	<u>(16,502)</u>	<u>(28,353)</u>

**8. AUDITORS' REMUNERATION**

	2019	2018
	£	£
Fees payable to the company's auditors for the audit of the company's financial statements	6,170	6,170
Taxation compliance services	855	855
Taxation advisory services	<u>-</u>	<u>7,880</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 30 September 2019

**9. TAXATION****Analysis of the tax charge**

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

	2019 £	2018 £
Current tax:		
UK corporation tax	1,643,015	1,769,956
Adjustment to prior years	<u>(24,763)</u>	<u>(57,771)</u>
Total current tax	1,618,252	1,712,185
Deferred tax	<u>30,642</u>	<u>(24,166)</u>
Tax on profit	<u>1,648,894</u>	<u>1,688,019</u>

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

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £	2018 £
Profit before tax	<u>8,696,644</u>	<u>8,976,669</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	1,652,362	1,705,567
Effects of:		
Expenses not deductible for tax purposes	50,694	36,622
Adjustments to tax charge in respect of prior periods (R&D reclaim 15/16 & 16/17)	-	(57,771)
Adjustments to tax charge in respect of prior periods (R&D reclaim 17/18 & 18/19)	<u>(50,817)</u>	-
Other adjustments to tax charge in respect of prior periods	<u>(3,345)</u>	3,601
Total tax charge	<u>1,648,894</u>	<u>1,688,019</u>

The provision for deferred tax is calculated based on the tax rates enacted or substantially enacted at the balance sheet date. The Finances (No.2) Act 2015 enacted the corporation tax rate to reduce from the current rate of 20% to 19% from 1 April 2017 with a further reduction to 18% from April 2020. On 24 March 2016, the chancellor of the exchequer announced that legislation would be introduced in Finance Act 2016 to reduce the main rate of corporation tax to 17% from 1 April 2020 superseding the 18% rate effective from that date introduced in Finance (No.2) Act 2015. These changes to the future tax rate were substantively enacted at the balance sheet date.

**10. DIVIDENDS**

	2019	2018
Final dividend paid for the year ended 2018	3,200,000	1,900,000
Interim dividend paid	<u>5,500,000</u>	<u>4,000,000</u>
	<u>8,700,000</u>	<u>5,900,000</u>

A Final Dividend of £1,600,000 for the year end 30th September 2019 will be declared and paid within one week of signing of these accounts.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 30 September 2019

**11. TANGIBLE FIXED ASSETS**

	<b>Fixtures and fittings £</b>	<b>Motor vehicles £</b>	<b>Totals £</b>
<b>COST</b>			
At 1 October 2018	1,557,477	142,095	1,699,572
Additions	332,556	21,945	354,501
Disposals	<u>(518,868)</u>	<u>(7,100)</u>	<u>(525,968)</u>
At 30 September 2019	<u>1,371,165</u>	<u>156,940</u>	<u>1,528,105</u>
<b>DEPRECIATION</b>			
At 1 October 2018	779,695	90,283	869,978
Charge for year	127,592	21,265	148,857
Eliminated on disposal	<u>(346,034)</u>	<u>(6,845)</u>	<u>(352,879)</u>
At 30 September 2019	<u>561,253</u>	<u>104,703</u>	<u>665,956</u>
<b>NET BOOK VALUE</b>			
At 30 September 2019	<u>809,912</u>	<u>52,237</u>	<u>862,149</u>
At 30 September 2018	<u>777,782</u>	<u>51,812</u>	<u>829,594</u>

**12. FIXED ASSET INVESTMENTS**

	<b>Shares in group undertakings £</b>
<b>COST</b>	
At 1 October 2018 and 30 September 2019	<u>545,997</u>
<b>PROVISIONS</b>	
At 1 October 2018 and 30 September 2019	<u>544,997</u>
<b>NET BOOK VALUE</b>	
At 30 September 2019	<u>1,000</u>
At 30 September 2018	<u>1,000</u>

The company's investments at the Balance Sheet date in the share capital of companies include the following:

**Apex Tube & Valves Limited**

Registered office: 295 Aylestone Road, Leicester, England, LE2 7QJ

Nature of business: Dormant

	<b>% holding</b>	<b>2019 £</b>	<b>2018 £</b>
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		<u>1,000</u>	<u>1,000</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 30 September 2019

**13. STOCKS**

	2019	2018
	£	£
Stocks	<u>15,367,413</u>	<u>12,890,736</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material. Stock recognised in cost of sales during the year as an expense was £79,497,090 (2018 - £71,355,036). An impairment loss of £953,366 (2018 - £248,553 impairment gain) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

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

	2019	2018
	£	£
Trade debtors	28,859,512	28,519,838
Amounts owed by group undertakings	28,762	36,289
Other debtors	367,188	656,952
Deferred tax asset	-	4,531
Prepayments and accrued income	346,410	300,798
	<u>29,601,872</u>	<u>29,518,408</u>

Deferred tax asset

Accelerated capital allowances  
Other timing differences

2018
£
(95,943)
<u>100,474</u>
<u>4,531</u>

The impairment loss recognised as an expense for the year in respect of bad and doubtful trade debtors was £420,340 (2018 - £940,639).

Loans due by group undertakings are interest free and considered to be repayable on demand.

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

	2019	2018
	£	£
Trade creditors	16,074,098	16,090,869
Amounts owed to group undertakings	26,061,786	19,894,355
Tax	786,759	912,185
Social security and other taxes	1,787,086	869,835
Other creditors	8,221,536	6,616,335
Accruals and deferred income	89,217	38,874
	<u>53,020,482</u>	<u>44,422,453</u>

Loans due to group undertakings are interest free and considered to be repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 30 September 2019

**16. LEASING AGREEMENTS**

At 30 September 2019 the Company had future minimum lease payments under non cancellable operating leases as follows:

	<b>Land and building</b>		<b>Other</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Expiry date				
Within 1 year	1,617,698	1,152,598	900,607	793,955
Between 2 and 5 years	3,413,154	1,684,340	979,481	673,681
After more than 5 years	<u>1,524,052</u>	<u>-</u>	<u>-</u>	<u>-</u>

Outside of the land and building numbers as stated above, Smith Brothers Stores Ltd has entered into an Agreement to Lease dated 13th February 2020 for a new property in Glasgow. This is a 10-year lease with a break clause at year 6. The amount payable for this new property will be £143,744 per annum. There is a period of half rent for the first 14 months from the lease commencement date.

**17. PROVISIONS FOR LIABILITIES****Deferred tax**

The deferred tax balance is comprised of the following:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	<b>109,808</b>	95,943
Other timing differences	<b>(83,697)</b>	(100,474)
	<u><b>26,111</b></u>	<u>(4,531)</u>

Where deferred tax is an asset it is shown within other debtors.

**18. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	<b>2019</b>	<b>2018</b>
			<b>£</b>	<b>£</b>
3,000	Ordinary	£1	<u><b>3,000</b></u>	<u>3,000</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 30 September 2019

19. <b>RESERVES</b>	<b>Retained earnings £</b>
At 1 October 2018	3,354,411
Profit for the year	7,047,750
Dividends	<u>(8,700,000)</u>
At 30 September 2019	<u>1,702,161</u>

The company's capital and reserves are as follows:

**Called up share capital**

Called up share capital represents the nominal value of the shares issued.

**Comprehensive income account**

The comprehensive income account represents cumulative profits or losses net of dividends paid and other adjustments.

20. **PENSION COMMITMENTS**

During the year the company made pension contributions under a defined contributions scheme amounting to £412,787 (2018 - £389,213).

At 30 September 2019 contributions amounting to £228,200 (2018 - £294,682) were included in other creditors.

21. **ULTIMATE PARENT COMPANY**

Smith Brothers Stores Limited is a subsidiary of Smith Brothers (Leicester) Limited.

The ultimate parent company is Smith Brothers (Leicester) Limited, a company registered in England and Wales.

The parent undertaking for the smallest and largest group for which consolidated accounts are prepared is Smith Brothers (Leicester) Limited.

Smith Brothers (Leicester) Limited prepares group financial statements and copies can be obtained from Companies House, Crown Way, Maindy, Cardiff.

NOTES TO THE FINANCIAL STATEMENTS - continued  
for the year ended 30 September 2019

---

22. **RELATED PARTY DISCLOSURES**

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

During the year ended 30 September 2019 the company was charged £1,069,615 (2018 - £900,514) for rental and purchase of vehicles and equipment from Brightside Securities Ltd. £651,012 (2018 - £273,190) was owed to Brightside Securities Limited at the year end.

Sales to Charles Bass Limited for Sales/Ancillary services during the period amounted to £247 (2018 - £8,889). The balance owed by the company to Charles Bass Ltd as at 30 September 2019 was £Nil (2018 - £994).

Both Charles Bass Limited and Brightside Securities Limited are companies in which Mr C Smith and Mrs M Beasley are directors. Mr C Smith and Mrs M Beasley are also directors and shareholders of Smith Brothers (Leicester) Limited, although certain holdings are non-beneficial.

During the year the company paid £398,000 (2018 - £421,000) to Elmfield Facility Management Services Limited for consultancy services. At the end of the year a balance of £99,600 (2018 - £116,400) was due to Elmfield Facility Management Services Limited. Mr C Smith and Mrs M Beasley are directors.

During the year the company made sales of £27,092 (2018 - £13,955) to Talbott's Biomass Energy Systems Limited. At the end of the year a balance of £7,240 (2018 - £1,890) was due from Talbott's Biomass Energy Systems Limited.

Talbott's Biomass Energy Systems Limited is 100% owned by the parent company from 31 May 2019. During the year, the immediate parent undertaking purchased 75 Ordinary shares from a minority shareholder

During the year the company made sales of £1,630 (2018 - £1,387) to Elmfield Development Limited. At the end of the year a balance of £NIL (2018 - £NIL) was due from Elmfield Development Limited. Elmfield Development Limited is a company in which Mrs M Beasley is a director. Mr C Smith is also a director.

23. **POST BALANCE SHEET EVENTS**

Since the balance sheet date the world has suffered a COVID-19 outbreak, and volatility in the markets.

The directors have considered the effect this may have had on the Company, and although unclear what longer term impact this will have on the trade, they are informed by the Government's guidance that the issue will be time limited.

This will continue to be a developing situation and as such a reasonable estimate of the financial effect of this outbreak on the company cannot feasibly be made.

The directors have assessed the above and consider the company to be a going concern.

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.