L & G Forest Products Limited

Directors' report and financial statements

Year ended 31 December 2017

Registered number: 3676644

Contents

Directors and Company information

Directors	J P Sowton B O'Hara G Wilkinson
Secretary	Grafton Group Secretarial Services Limited
Registered office	Ground Floor, Boundary House 2 Wythall Green Way Wythall Birmingham United Kingdom B47 6LW
Independent auditors'	PricewaterhouseCoopers LLP Chartered Accountants 19 Cornwall Street Birmingham B3 2DT
Company Number	3676644

Strategic report

Introduction

This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006. Its purpose is to inform shareholders and help them to assess how the Directors have performed their duty to promote the success of L&G Forest Products Limited (the "Company").

Principal activities

The principal activities of the Company are the supply of timber and building materials.

Business review

The results for the year are set out in the profit and loss account on page 8.

Operations review

Despite a turnover increase, there was a small reduction in profit vs 2016. This was largely due to a margin percentage squeeze as timber costs increased markedly during the year. Overall, the business achieved its budgeted targets.

There was an overall increase in turnover of 5.0% to £39.9 million *(2016: £38.0 million).*

Outlook

L&G increased the level of inter-group sales during 2017 with a 4.66% uplift over 2016. Though the construction sector has seen some uncertainty in recent months, the addition of a sales department and yard at Hayes has allowed L&G's reach to grow further than the South-East area to which it has previously been limited.

Health and Safety

There are no major incidents to report in the year to 31 December 2017.

Key Performance Indicators

The Directors believe that the following indicators will provide stakeholders with sufficient information to assess how effectively the Company is performing.

	2017	2016
	£'000	£'000
Turnover	39,861	37,961
Operating profit	1,617	1,675
Operating margin	4.06%	4.41%
Liquidity ratio	1.75	1.8

Strategic report *(continued)*

Future developments

The Company has been performing in line with latest budgets. Given the geographical expansion of the Company the Directors expect general activity levels to remain consistent despite uncertainty in the construction industry.

Principal risks and uncertainties

Trading in the business is influenced by the macro-economic environment in the UK. The level of activity in the residential and non-residential construction market and in the residential repair, maintenance and improvement markets in particular influence demand. Demand in these markets is sensitive to economic conditions generally including economic growth, interest rate movements, inflation, unemployment and demographic trends.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The Company adopts a prudent approach to liquidity management and to mitigate against cash flow and liquidity risk continuously monitors forecasted and actual cash flows and maintains sufficient cash reserves to meet its obligations. The Company's main exposure to credit risk is its provision of short-term credit to customers with the Company carrying the associated credit risk where the credit Insurance will not cover the debt.

On behalf of the board

Brian O'Hara

B O'Hara
Director

28 June 2018

Directors' report

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2017.

Strategic Report

The principal activities of the Company, a business review, key performance indicators, likely future developments, the principal risks and uncertainties and financial risk management objectives and policies of the Company have not been included in this report as they are disclosed in the Strategic Report.

Dividends

Dividends of £nil were paid during the year *(2016: £nil)*

Directors

The directors who held office during the year were as follows:

J P Sowton
B O'Hara
G Wilkinson

Political and charitable contributions

The Company made no political contributions during the year *(2016: £nil)*. Donations to UK charities amounted to £1k *(2016: £nil)*.

Directors' indemnities

The Company maintained indemnity liability insurance for its directors and officers throughout the financial year, which is still in force at the date of approving the Directors' report and which is a qualifying third-party indemnity provision for the purposes of the Companies Act 2006.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The statutory Auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office in accordance with Section 382 (2) of the Irish Companies Act 2014 and a resolution authorising the Directors to fix their remuneration will be submitted to the Annual General Meeting of Grafton Group Plc, the ultimate parent company of Grafton Merchanting GB Limited
On behalf of the board

Brian O'Hara

B O'Hara
Director

28 June 2018

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

On behalf of the board

Brian O'Hara

B O'Hara
Director

28 June 2018

Independent auditors' report to the members of L & G Forest Products Limited

Report on the audit of the financial statements

Opinion

In our opinion, L & G Forest Products Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the statement of profit and loss account and other comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Mark Smith

Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

28 June 18

Statement of profit and loss account and other comprehensive income

for the year ended 31 December 2017

	Note	2017	2016
		£	£
Turnover	2	**39,860,861**	37,961,404
Cost of sales		**(33,385,470)**	(31,614,754)
Gross profit		**6,475,391**	6,346,650
Distribution costs		**(1,891,463)**	(1,831,639)
Administrative expenses		**(2,966,466)**	(2,840,085)
Operating profit	3	**1,617,462**	1,674,926
Interest receivable and similar income	6	**-**	5,413
Interest payable & similar expenditure	7	**(2,172)**	-
Profit before taxation		**1,615,290**	1,680,339
Tax on profit	8	**(334,000)**	(544,000)
Profit for the financial year		**1,281,290**	1,136,339

There was no other comprehensive income in the current or prior year.

The notes on pages 11 to 22 form part of the financial statements.

Balance sheet
As at 31 December 2017

	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	9		**1,092,133**		684,355
Current assets					
Stocks	10	**5,588,038**		3,780,140	
Debtors	11	**10,303,912**		5,145,316	
Cash at bank and in hand		**3,393,754**		7,108,425	
		19,285,704		16,033,881	
Creditors: amounts falling due within one year	12	**(11,033,392)**		(8,668,081)	
Net current assets			**8,252,312**		7,365,800
Total assets less current liabilities			**9,344,445**		8,050,155
Non current Liabilities					
Deferred taxation			**(13,000)**		-
Net assets			**9,331,445**		8,050,155
Capital and reserves					
Called up equity share capital	14		**100**		100
Share premium account			**29,990**		29,990
Capital redemption reserve			**10**		10
Profit and loss account			**9,301,345**		8,020,055
Total shareholder's funds			**9,331,445**		8,050,155

These financial statements were approved by the board of directors on 28 June 2018 and were signed on its behalf by:

Brian O'Hara

B O'Hara
Director

The notes on pages 11 to 22 form part of the financial statements.

Statement of Changes in Equity

	Called-up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
Balance at 1 January 2017	100	29,990	10	8,020,055	8,050,155
Total comprehensive income for the Year					
Profit for the financial year	-	-	-	1,281,290	1,281,290
Total comprehensive income for the year	-	-	-	1,281,290	1,281,290
Balance at 31 December 2017	**100**	**29,990**	**10**	**9,301,345**	**9,331,445**

	Called-up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
Balance at 1 January 2016	100	29,990	10	6,883,716	6,913,816
Total comprehensive income for the Year					
Profit for the financial year	-	-	-	1,136,339	1,136,339
Total comprehensive income for the year	-	-	-	1,136,339	1,136,339
Balance at 31 December 2016	**100**	**29,990**	**10**	**8,020,055**	**8,050,155**

Notes *(forming part of the financial statements)*

1 Accounting policies

L&G Forest Products Limited (the "Company") is a limited company incorporated and domiciled in the UK.

Basis of preparation

The financial statements have been prepared in accordance with Companies Act 2006 and in accordance with FRS101 and under the historical cost accounting rules.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101") issued in March 2014.* The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

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

The Company's ultimate parent undertaking, Grafton Group (UK) plc includes the Company in its consolidated financial statements for the year ended 31 December 2017. The consolidated financial statements of Grafton Group (UK) plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures :

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- The effects of new but not yet effective IFRSs;
- Key management personnel;
- Capital management.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 19.

Notes *(continued)*

1 Accounting policies *(continued)*

Going concern

Whilst the Company does not currently draw on any of the group funding facilities, as noted in note 16, the Company acts as guarantor in respect of group borrowing facilities. The directors of the Company have discussed with Group management the funding position of the Group and consider it unlikely the guarantees given by the Company will be invoked. Accordingly, the Directors' are of the opinion that it remains appropriate for the Company to prepare the financial statements on a going concern basis.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and Other Receivables and Payables

Trade and other receivables and payables are stated at amortised cost (less any impairment losses), which approximates to fair value given the short-term nature of these assets and liabilities.

Trade receivables are carried at original invoice amount less an allowance for potentially uncollectable debts. Provision is made when there is objective evidence that the Group will not be in a position to collect all of its receivables when they fall due. Bad debts are written-off in the income statement on identification.

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in, first-out principle and includes all expenditure incurred in acquiring the inventories and bringing them to their present location and condition. Net realisable value is the estimated proceeds of sale less all further costs to completion and less all costs to be incurred in marketing, selling and distribution.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments.

Notes *(continued)*

1 Accounting policies *(continued)*

Property, plant and equipment

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

Certain items of tangible fixed assets that had been revalued to fair value on or prior to 1 January 2014, the date of transition to FRS 101, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the profit and loss account over the estimated useful lives of each part of an item of tangible fixed assets using the methods below. Land is not depreciated. The estimated useful lives are as follows:

- Leasehold improvements 10 years
- Plant and equipment 4 years
- Fixtures and fittings 4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Employee benefits

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

Turnover

Turnover relates to the principal activity of the Company, and arise wholly within the UK

Turnover represents the fair value of goods, excluding value added tax, delivered to or collected by customers in the year. Goods are deemed to have been delivered to customers when the customer has access to the significant benefits inherent in the goods and exposure to the risks inherent in those benefits.

Notes *(continued)*

1 Accounting policies *(continued)*

Expenses

Operating lease payments
Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Taxation

Income tax in the income statement represents the sum of current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income.

Current tax is based on taxable profit and represents the expected tax payable for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes certain items that are not tax deductible including property depreciation. The Company's liability for current tax is calculated using rates that have been enacted or substantially enacted at the balance sheet date. The Company's income tax charge reflects various allowances and reliefs and planning opportunities available in the tax jurisdictions in which the Company operates. The determination of the Company's charge for income tax in the income statement requires estimates to be made, on the basis of professional advice, in relation to certain matters where the ultimate outcome may not be certain and where an extended period may be required before such matters are determined. The estimates for income tax included in the financial statements are considered appropriate but no assurance can be given that the final determination of these matters will not be materially different to the estimates included in the financial statements.

Deferred tax is provided, using the liability method, on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled based on rates that have been enacted or substantially enacted at the balance sheet date.

Notes *(continued)*

1 Accounting policies *(continued)*

***Taxation** (continued)*

Deferred tax assets and liabilities are not recognised for the following temporary differences:

- Temporary differences associated with investments in subsidiaries in which case deferred tax is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit would be available to allow all or part of the deferred tax asset to be utilised.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Turnover

Turnover and profit before taxation relate to the principal activity of the Company, and arises wholly within the UK.

3 Profit before taxation

	2017	2016
	£	£
Profit before taxation is stated after charging/(crediting):		
Auditors' remuneration:		
Audit of these financial statements	**10,000**	9,000
Depreciation and other amounts written off tangible fixed assets:		
Owned	**105,525**	122,905
Operating lease costs:		
Land & buildings	**200,000**	200,000
Other	**-**	2,190

4 Remuneration of directors

Directors' emoluments have been borne by another group company and not recharged.

Notes *(continued)*

5 Staff numbers and costs

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

	Number of employees	
	2017	2016
Administrative and management	**11**	11
Sales and distribution	**40**	39
	51	50

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£	£
Wages and salaries	**1,959,692**	1,838,276
Social security costs	**197,861**	184,736
Other pension costs (note 16)	**40,370**	57,552
	2,197,923	2,080,564

6 Interest receivable and similar income

	2017	2016
	£	£
Bank interest	**-**	5,413

7 Interest payable and similar expenses

	2017	2016
	£	£
Bank interest	**2,172**	-

Notes *(continued)*

8 Tax on profit

	2017		2016	
	£	£	£	£
Current tax:				
Current year charge	**309,000**		314,208	
Adjustment in respect of prior periods	**-**		248,792	
Total current tax		**309,000**		563,000
Deferred tax:				
Current year charge	**15,000**		3,000	
Adjustment in respect of prior periods	**10,000**		(22,000)	
Total deferred tax		**25,000**		(19,000)
Total tax charge		**334,000**		544,000

Factors affecting the tax charge for the current year
The total tax charge for the year is higher (2016: higher than) than the standard rate of corporation tax in the UK of 19.25% *(2016: 20%)*. The differences are explained below:

	2017	2016
	£	£
Profit on ordinary activities before tax	**1,615,290**	1,680,339
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% *(2016: 20%)*	**310,943**	336,068
Effects of:		
Expenses not deductible/(income not taxable) for tax purposes	**13,057**	(22,668)
Depreciation on non-qualifying assets	**-**	2,600
Adjustments to current tax charge in respect of prior periods	**-**	248,792
Impact of change in UK tax rate	**-**	1,208
Adjustments to deferred tax in respect of previous periods	**10,000**	(22,000)
Total tax charge (see above)	**334,000**	544,000

Factors which may affect future tax charges
The UK corporation tax rate will reduce from 19% to 17% over a period of 3 years from 2017. The UK corporation tax rate fell from 20% to 19% effective from 1 April 2017 and is due to be followed by a reduction from 19% to 17% effective 1 April 2020. This will reduce the company's future current tax charge accordingly.

Notes *(continued)*

Deferred tax assets and liabilities as at 31 December 2017 have been calculated based on a rate of 17% as this is the rate substantively enacted at the year end

9 Tangible assets

	Leasehold improvements	Plant, equipment and machinery	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At beginning of year	618,652	351,218	1,028,546	1,998,416
Additions	-	84,563	428,740	513,303
Disposal	-	-	(84,113)	(84,113)
Reclassification	-	10,194	-	10,194
At end of year	**618,652**	**445,975**	**1,373,173**	**2,437,800**
Accumulated Depreciation				
At beginning of year	524,669	287,486	501,906	1,314,061
Charge for year	12,858	21,461	71,206	105,525
Disposal	-	-	(84,113)	(84,113)
Reclassification	-	10,194	-	10,194
At end of year	**537,527**	**319,141**	**488,999**	**1,345,667**
Net book value				
At 31 December 2017	**81,125**	**126,834**	**884,174**	**1,092,133**
At 31 December 2016	93,983	63,732	526,640	684,355

10 Stocks

	2017	2016
	£	£
Goods for resale	**5,588,038**	3,780,140

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £36.4 million *(2016: £34.1 million)*. The write-down of stocks to net realisable value amounted to £92,671 *(2016: £30,000)*.

In the opinion of the directors there were no significant differences between replacement cost and the value of stocks given above.

Notes *(continued)*

11 Debtors

	2017	2016
	£	£
Trade debtors	**2,439,266**	2,462,382
Amounts due from group undertakings	**6,870,026**	1,917,115
Other debtors	**729,152**	535,787
Deferred tax asset (note 13)	**13,000**	25,000
Prepayments and accrued income	**252,468**	205,032
	10,303,912	5,145,316

Amounts due from group undertakings are unsecured, interest free and repayable on demand.

12 Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	**6,747,390**	5,348,099
Amounts due to group undertakings	**2,687,531**	1,927,154
Corporation tax	**1,194,000**	885,000
Other creditors	**51,205**	105,564
Accruals	**353,266**	402,264
	11,033,392	8,668,081

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

13 Deferred taxation

	2017	2016
	£	£
The movement in the deferred taxation provision during the year was:		
Provision brought forward	**(25,000)**	(6,000)
Charge/(credit) to profit and loss account for the year	**25,000**	(19,000)
Asset carried forward (note 11)	**(13,000)**	(25,000)
Provision carried forward	**13,000**	-

The elements of deferred taxation are as follows:	2017	2016
	£	£
Difference between accumulated depreciation and capital allowances	**(13,000)**	3,000
Other timing differences	**13,000**	22,000
	-	25,000

Notes *(continued)*

14 Called up share capital

	2017	2016
	£	£
Authorised, allotted, called up and fully paid		
100 (2016:100) ordinary shares of £1 each	**100**	100

15 Operating lease commitments

Commitments under non-cancellable operating leases are as follows:

	2017 Land and Buildings	2016 Land and Buildings
	£	£
Less than one year	**200,000**	200,000
In one to two years	**200,000**	200,000
In the second to fifth years inclusive	**600,000**	600,000
Over five years	**934,000**	1,134,000
	1,934,000	2,134,000

There were no capital commitments at the end of the year for which a provision had not been made *(2016: £nil)*.

16 Pension Scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the fund and amounted to £40,370 *(2016: £57,552)*.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes *(continued)*

17 Contingent liabilities

The Company, along with other subsidiaries of Grafton Group plc, acts as a guarantor for the group bank borrowings which drawn at the balance sheet date amounted to £315.2 million *(2016: £300.7 million)*. Undrawn committed facilities at the balance sheet date amounted to £213.1 million *(2016: £217.6 million)*.

In addition, the Company, along with other subsidiaries of Grafton Group plc, acts as a guarantor for other group bank overdraft facilities of £101.1 million (£45.6 million) which were undrawn at the year end.

18 Ultimate parent company

The Company is a subsidiary undertaking of Grafton Group (UK) plc, a company incorporated in the UK.

The Company's ultimate parent undertaking is Grafton Group plc, a company incorporated in the Republic of Ireland. Grafton Group plc is the largest and smallest company that prepares consolidated financial statements which include the financial statements of the Company. Copies of the financial statements of Grafton Group plc may be obtained from Grafton Group Secretarial Services Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18.

19 Accounting estimates and judgements

The Company's main accounting policies affecting its results and financial condition are set out on pages 11 to 15. Judgements and assumptions have been made by management by applying the Company's accounting policies in certain areas. Actual results may differ from estimates calculated using these judgements and assumptions. Key sources of estimation uncertainty and critical accounting judgements are as follows:

Taxation

Management is required to make judgements and estimates in relation to taxation provisions and exposures. The amounts provided/recognised for tax are based on management's estimate having taken appropriate professional advice. If the final determination of these matters is different from the amounts that were initially recorded such differences will impact the income tax and deferred tax provisions and assets in the period in which the determination was made. The amount shown for current taxation includes a liability for tax uncertainties and is based on the Directors' best probability weighted estimate of the probable outflow of economic resources that will be required. As with all estimates, the actual outcome may be different to the current estimate.

Rebate income

Rebates from suppliers represent a significant source of income for the Company each year. The nature of the arrangements in place means that a large proportion of the rebates due to the Company are not collected until after the year end. The calculation of rebate income in the year and the rebate receivable at year end is based on the agreements in place with suppliers. Rebate is accrued in the year as it is earned. Due to the supplier specific nature of each arrangement the calculations can be complex and requires management to make estimates in the absence of supplier confirmations.

Notes *(continued)*

20 Related Party

During 2017 the Company leased a property from Jeff Foot (former Company Director & owner) for £200,000 (2016: £200,000). No amounts were outstanding at the year end.