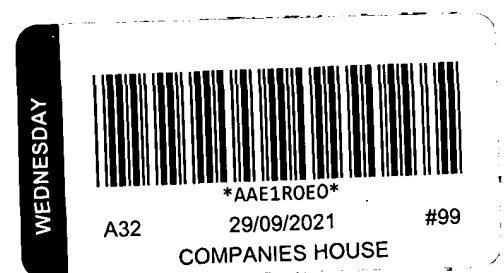


**REECE GROUP LIMITED**  
Annual Report and Consolidated Financial Statements  
for the Year Ended 31 December 2020



# Reece Group Limited

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# Reece Group Limited

## Company Information

<b>Directors</b>	A D Reece J P Reece R D Lamb C Priday A J Wilkinson C J Gill G MacDonald
<b>Registered office</b>	Armstrong Works Scotswood Road Newcastle upon Tyne NE15 6UX
<b>Bankers</b>	HSBC Bank plc Floor 3 Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ
<b>Auditor</b>	MHA Tait Walker Chartered Accountants & Statutory Auditor Bulman House Regent Centre Gosforth Newcastle upon Tyne NE3 3LS

# Reece Group Limited

## Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

### Introduction

Reece Group Limited is a privately-owned business and the holding company for a number of innovative engineering businesses, based in the North East, primarily operating in the defence markets.

The Group's strategy is the ownership and developing of a range of innovative engineering companies that operate globally, based firmly in engineering and operating from a world class manufacturing facility. In delivering this strategy, and growing the businesses, the group aims to achieve its vision of creating employment and wealth in the region in which it operates.

The group operates from Armstrong Works, a 32,000 sq. m manufacturing facility on the banks of the Tyne and the company's home since 2014. The facility provides a world class, state of the art manufacturing facility, offering the opportunity for the group's portfolio of innovative and award winning engineering companies to work together and collaborate but also gives the group and its companies the capacity and scope for significant future growth in a climate conducive to innovation and creativity.

### Fair review of the business

The groups key financial and other performance indicators during the year were as follows:

	Unit	2020	2019
Turnover	£	62,903	64,587
Gross profit	£	31,305	27,251
EBITDA pre exceptional costs	£	14,535	8,117
Exceptional costs	£	(510)	(487)
EBITDA	£	14,025	7,630
Net assets	£	132,148	119,904
Number of employees	#	389	408

## **Reece Group Limited**

### **Strategic Report for the Year Ended 31 December 2020 (continued)**

The group's financial position remains strong with £131m of net assets including £62m of cash.

Pearson Engineering had a successful year, increasing turnover to £46.7m (2019: £41m) and profits to £15.7m (2019: £10.5m), driven by repeat orders and long-term projects reaching the series production phase. The company is engaged in contracts and opportunities globally and interest in its products remain very strong. The forward outlook is positive both for contracts under execution and further orders expected in 2021 and, to date, COVID-19 has had limited impact on the business prospects.

Responsive Engineering had a positive start to 2020, with the first four months of the year on plan and achieving positive cash generation as a result of the strategic review and actions taken in 2019. Revenues for the remainder of the year were significantly impacted by COVID-19 due to customers delaying orders and a reduction in sales enquiries from the oil & gas market. At the start of the Covid pandemic the business made the decision to trade through the crisis to ensure it could continue to support its customers, including Pearson Engineering. As a result, the business incurred a loss of £3.5m (2019: £2.1m) on a turnover of £12.7m (2019: £15.6m).

The Group remains strongly committed to supporting Responsive in its strategy development and is confident in its ability to return to profitability, particularly as the Defence market outlook is very strong and the business continues to focus on further cost saving programs, including strategic capital investments in new process technologies.

Velocity was impacted by Covid-19 in 2020 with a temporary reduction in demand across all business units. The company utilised government support to protect the workforce. In 2021 demand has returned to pre Covid-19 levels. The prospects for the business are good, following government commitment to increase funds available for pot-hole repair. The business achieved a profit of £0.1m (2019: £0.2m) on a turnover of £9.8m (2019: £12.2m).

The medium and long term future outlook for the Group remains strong with good growth prospects.

#### **Research and development**

The group remains committed to engineering research and development with the objective of developing the best products in the market place and creating a market for those products. To this end, the group continues to invest in research and development. The R&D programme is active and growing and includes traditional business areas as well as emerging technologies. The total internal R&D expenditure charged in the consolidated profit and loss accounts during the year was in excess of £1.6m (2019: £2m).

# **Reece Group Limited**

## **Strategic Report for the Year Ended 31 December 2020 (continued)**

### **S172 Statement**

The Board consider, both individually and collectively, that they have acted in a way that they consider, in good faith, would be most likely to promote the success of the company and Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s.172 (a-f) of the Companies Act 2006) in the decisions taken during the year ended 31st December 2020.

Material decisions taken in the year include approval of the subsidiary budgets and strategies, including but not limited to the approval of Pearson's R&D programmes and the continued turnaround strategy for Responsive. In addition, the Board approved capital expenditure investment for both Responsive Engineering and Velocity and took the decision at the beginning of 2020 to no longer financially support Reece Innovation which led to its closure in July 2020.

Collaboration with group companies has also been a priority, particularly for Pearson Engineering and Responsive Engineering who have focussed on continuing to develop relationships and combining to jointly bid for major defence manufacturing projects. This work has now started to achieve important contract wins and will help to secure employment and retention of key skills across the companies and throughout our supply chains, whilst simultaneously leveraging the inherent capability of the Armstrong Works facility.

Our growth strategy is designed to have a long term beneficial impact on all of our stakeholders: it is customer focused and also provides security and development opportunities for our employees, effective management of our supply chain and enables us to deliver shareholder value whilst contributing and supporting our North East industry and communities.

In approving the decision to close Reece Innovation, the Board recognised the potential impact of this decision on the business' employees, customers and supply chain and took steps to mitigate the impact on those stakeholders.

### **Engagement with employees**

Our employees are our greatest asset and our success relies on the application of their knowledge and skills. We aim to be a responsible employer in our approach to pay and benefits, and the health, safety and well-being of our employees is always a primary consideration.

We communicate with employees through a variety of channels including meetings, emails and our regular group newsletter The Works.

The company is committed to the development of employee consultation and thereby to the greater involvement of employees in the company's operations and future strategy. Consultation is achieved on both a formal and an informal basis through work committees, briefing sessions and discussions with groups of employees.

# **Reece Group Limited**

## **Strategic Report for the Year Ended 31 December 2020 (continued)**

### **Employment of disabled persons**

It is the group's policy to work towards true equality of opportunity for employees and applicants for employment regardless of race, nationality, ethnic origin, religion, gender, sexual orientation or marital status. Applications for employment by disabled persons are always fully and fairly considered, having regard to the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and the appropriate training is arranged.

### **Engagement with suppliers, customers and other relationships**

Meeting the needs of customers now and developing our offering so that we can continue to meet their needs into the future, requires a closeness to, and engagement with, customers. Customer requirements are always taken into consideration during new product development, with customer needs driving the design and development of products.

We expect our suppliers to operate ethically, taking due consideration for the safety and well-being of their workers while minimising their environmental impacts. By working closely with and setting high standards for our suppliers, we reduce operating and reputational risk and promote the long-term success of the Company.

### **STEM and charitable activities**

The group is a strong supporter of STEM initiatives promoting engineering as a career. The Board of Directors is also proud to support the wider projects of Reece Foundation, a charitable Trust created in 2007 which aims to support the improvement of education in relation to STEM, as well as the promotion of engineering and manufacturing.

Furthermore, following relocation to the Armstrong Works facility on Scotswood Road, the group has actively supported the regeneration of the West End of Newcastle, and has funded a number of local charity projects; with a total of £1m having been donated to good causes.

### **Principal risks and uncertainties**

The principal risks and uncertainties facing the company and how they might affect its performance, position or future prospects are set out below:

#### **COVID-19**

The safety of our staff is our key priority and we have adapted our working practices – a significant number of staff have been able to work from home and we have made considerable adjustments to meet social distancing guidelines where working from home is not possible. We have a regular and ongoing dialogue with our staff to support them through this unprecedented period. The company continues to closely monitor developments and adapt its plans. The company has a strong balance sheet and robust underlying business and, in the Board's view, is well positioned to weather any further disruption caused by COVID-19.

#### **Credit risk**

The majority of group debtors relate to amounts owed as set out in agreed legal contracts, and many of the customers are government-related bodies. Historically, the group has not considered there to be a significant credit risk - however, this is evaluated on a contract by contract basis and credit insurance is taken if considered necessary.

#### **Foreign currency risk**

The group has significant trade in foreign currencies with its customers. To protect the business against movements in exchange rates between the date of order acceptance and payment of the debt the group takes out forward exchange contracts. In order to be able to provide forward exchange rate contracts, the banks may seek to mitigate their default risk by requesting cash deposits as security. To manage this situation, group companies ring fence an appropriate proportion of its cash reserves for this purpose.

## Reece Group Limited

### Strategic Report for the Year Ended 31 December 2020 (continued)

#### Liquidity risk

The group aims to mitigate liquidity risk by managing cash generated by its operations in the most effective manner. It is group policy to invoice amounts due on contracts as soon as possible; all amounts owed by customers are collected promptly, and all major capital expenditure must be approved by the directors.

#### Working capital

The group will seek to establish terms which minimise working capital requirements. However, it is inevitable that under some contracts the group will be required to provide finance for the initial stock and debtors before payments from the customer commence.

#### Bank risk

The group continuously monitors the position of all UK banks where it holds funds. The group reduces potential exposure by spreading funds across a number of banks where credit rating and other available financial information indicates risk is low.

#### Interest rate risk

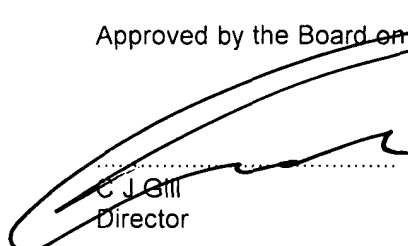
All cash is invested in interest bearing bank accounts at either a variable or fixed rate. Therefore, whilst financial assets, liabilities, interest charges and interest income and cash flows can be affected by movements in interest rates, these are managed by continually reviewing where cash is held and moving funds as appropriate.

#### Risks arising from "Brexit"

The group is monitoring developments in the Brexit process closely, although the lack of certainty makes contingency planning difficult. Tenders and new business contracts seek to protect the group from potential negative changes in trading legislation, for business both within and outside the EU.

The main risks and uncertainties relate to impact of tariffs on competitiveness, increases in supply chain prices, delays in the supply chain and loss of existing free trade agreements.

Approved by the Board on 20/09/21 and signed on its behalf by:



C J Gill  
Director



# Reece Group Limited

## Directors' Report for the Year Ended 31 December 2020

The directors present their report and the consolidated financial statements for the year ended 31 December 2020.

### **Directors of the group**

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

A D Reece  
J P Reece  
C A Johnstone (resigned 31 July 2020)  
R D Lamb  
C Priday  
A J Wilkinson

The following directors were appointed after the year end:

C J Gill (appointed 1 January 2021)  
G MacDonald (appointed 1 January 2021)

### **Financial instruments**

#### ***Objectives and policies***

The group finances its activities using its cash and short term deposits. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the groups operating activities. The group also enters into derivative transactions, principally forward currency contracts. The purpose is to manage currency risks arising from the groups operations and its sources of finance.

#### ***Price risk, credit risk, liquidity risk and cash flow risk***

See disclosures in the Strategic Report in respect of the financial risk management of the group.

### **Future developments**

See disclosures within the Strategic Report regarding future developments of the group.

### **Research and development**

See disclosures within the Strategic Report regarding research and development of the group.

### **Environmental report**

We have considered the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) when preparing this report. These recommendations encourage businesses to increase disclosure of climate-related information, with an emphasis on financial disclosure. Reece Group Limited supports these recommendations and are committed to disclosing the relevant information which can be found below.

# Reece Group Limited

## Directors' Report for the Year Ended 31 December 2020 (continued)

### Governance

The UK Government's Streamlined Energy and Carbon Reporting (SECR) policy was implemented on 1 April 2019, this is the Group's first time adoption of disclosures on energy and carbon. Within the group there is one large subsidiary company which the disclosure requirements apply. The other subsidiaries within the group are not required to report their own energy and carbon information due to their individual company size. Reece Group Limited itself does not consume in excess of 44,000Kwh of energy. The group will look to voluntarily adopt further disclosure in future reporting and are committed to behaving responsibly and at high standard.

The table below represents Pearson Engineering Limited's energy use and associated greenhouse gas (GHG) emissions from electricity and fuel in the UK for the year ended 31 December 2020.

Scope 1 consumption and emissions relate to direct combustion of natural gas, and fuels utilised for transportation operations, such as company vehicle fleets.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day-to-day business operations.

Scope 3 consumption and emissions relate to emissions resulting from sources not directly owned by the reporting company. For Pearson Engineering Limited, this is related to grey fleet (business travel undertaken in employee-owned vehicles) only.

### Emissions and energy consumption

Summary of scope 1 (direct) greenhouse gas emissions for the year ended 31 December 2020:

Climate related category	2020 tCO2e
Gaseous and other fuels	71
	-
	<u>71</u>

Summary of scope 2 (indirect) greenhouse gas emissions for the year ended 31 December 2020:

Climate related category	2020 tCO2e
Grid supplied electricity	<u>275</u>

Summary of scope 3 (other indirect) greenhouse gas emissions for the year ended 31 December 2020:

Climate related category	2020 tCO2e
Transportation	<u>7</u>

## Reece Group Limited

### Directors' Report for the Year Ended 31 December 2020 (continued)

Pearson Engineering' Scope 1 and 3 direct emissions (combustion of natural gas and transportation fuels) for this first year of reporting are 78.66 tCO<sub>2</sub>, resulting from the direct combustion of 418,731 KWh of fuel.

Scope 2 indirect emissions (purchased electricity) for this first year of reporting are 274.93 tCO<sub>2</sub>e, resulting from the consumption of 1,179,258 kWh of electricity purchased and consumed in day-to-day business operations

#### Intensity ratio

##### Pearson Engineering

The intensity metric is per kgCO<sub>2</sub>e per sq ft gross internal area for this reporting. During the year ended 31 December 2020 this was 4.03%.

#### Going concern

The group meets its day to day working capital requirements through cash generated from operations and return on investments.

At the time of signing the financial statements there has been no unmanageable impact of COVID-19 on the group's main income streams, suppliers or employees.

The group's forecasts and projections for the next twelve months show that the group should be able to continue in operational existence for that period, taking into account possible changes in trading performance.

Having considered the current cash forecasts of the group the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing these financial statements. The group therefore continues to adopt the going concern basis in preparing its financial statements.

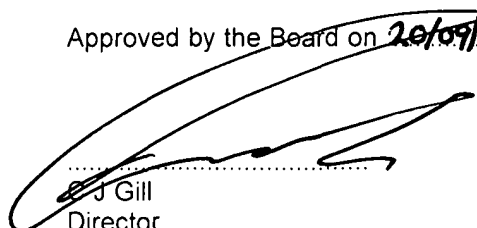
#### Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

#### Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of MHA Tait Walker as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 20/09/21... and signed on its behalf by:



J Gill  
Director

## **Reece Group Limited**

### **Statement of Directors' Responsibilities**

The directors acknowledge their responsibilities 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 group and parent company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Reece Group Limited**

### **Independent Auditor's Report to the Members of Reece Group Limited**

#### **Opinion**

We have audited the financial statements of Reece Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Statement of Financial Position, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 group's and the parent company's affairs as at 31 December 2020 and of the group's 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 group 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**

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **Reece Group Limited**

### **Independent Auditor's Report to the Members of Reece Group Limited (continued)**

#### **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.

#### **Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

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

In the light of our knowledge and understanding of the group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 Statement of Directors' Responsibilities [set out on page 10], 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

## Reece Group Limited

### Independent Auditor's Report to the Members of Reece Group Limited (continued)

#### **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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations
- Reading correspondence with regulators including the Health and Safety Executive;
- Reviewing the safety compliance action plan which is prepared and reviewed by a third party;
- Reviewing board minutes;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Review financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

Because of the field in which the client operates, we identified the following areas as those most likely to have a material impact on the financial statements: Health and Safety; employment law (including the Working Time Directive); and compliance with the UK Companies Act.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance.

A further description of our responsibilities is available 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 auditor's report.

## Reece Group Limited

### Independent Auditor's Report to the Members of Reece Group Limited (continued)

#### 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.

*MHA Tait Walker*

Brian Laidlaw BA CA (Senior Statutory Auditor)  
For and on behalf of MHA Tait Walker  
Chartered Accountants  
Statutory Auditor  
Bulman House  
Regent Centre  
Gosforth  
Newcastle upon Tyne  
NE3 3LS

Date: *23rd September 2021*

MHA Tait Walker is a trading name of Tait Walker LLP.



## Reece Group Limited

### Consolidated Income Statement for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Turnover	3	62,903	64,587
Cost of sales		<u>(31,598)</u>	<u>(37,336)</u>
Gross profit		31,305	27,251
Distribution costs		(1,347)	(1,850)
Administrative expenses		(18,976)	(20,279)
Exceptional expenses	5	(510)	(487)
Other operating income	4	<u>1,151</u>	<u>972</u>
Operating profit	5	11,623	5,607
Change in fair value of current asset investments		2,923	3,396
Change in fair value of investment properties		(1,949)	-
Other interest receivable and similar income	6	682	1,088
Interest payable and similar expenses	7	<u>(77)</u>	<u>(17)</u>
Profit before tax		13,202	10,074
Taxation	11	<u>(45)</u>	<u>(246)</u>
Profit for the financial year		<u>13,157</u>	<u>9,828</u>
<b>Profit/(loss) attributable to:</b>			
Owners of the company		13,157	9,912
Non controlling interests		<u>-</u>	<u>(84)</u>
		<u>13,157</u>	<u>9,828</u>

The notes on pages 22 to 52 form an integral part of these financial statements.

## Reece Group Limited

### Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2020

	2020 £ 000	2019 £ 000
Profit for the year	13,157	9,828
Unrealised gain/(loss) on cash flow hedges	(214)	744
Foreign currency translation gains/(losses)	26	(170)
	(188)	574
Total comprehensive income for the year	12,969	10,402
<b>Total comprehensive income attributable to:</b>		
Owners of the company	12,969	10,486
Non controlling interests	-	(84)
	12,969	10,402

The notes on pages 22 to 52 form an integral part of these financial statements.

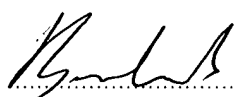
# Reece Group Limited

(Registration number: 07630662)

## Consolidated Statement of Financial Position as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
<b>Fixed assets</b>			
Intangible assets	12	170	225
Tangible assets	13	14,957	15,043
Investment property	14	6,315	9,664
		<u>21,442</u>	<u>24,932</u>
<b>Current assets</b>			
Stocks	17	8,450	8,001
Debtors	18	12,738	15,428
Investments	19	37,329	41,404
Other financial assets	16	315	565
Cash at bank and in hand		62,080	38,434
		<u>120,912</u>	<u>103,832</u>
<b>Creditors: Amounts falling due within one year</b>	20	<u>(8,760)</u>	<u>(7,958)</u>
<b>Net current assets</b>		<u>112,152</u>	<u>95,874</u>
<b>Total assets less current liabilities</b>		<u>133,594</u>	<u>120,806</u>
<b>Creditors: Amounts falling due after more than one year</b>	20	(176)	(248)
<b>Provisions for liabilities</b>	22	<u>(1,271)</u>	<u>(652)</u>
<b>Net assets</b>		<u>132,147</u>	<u>119,906</u>
<b>Capital and reserves</b>			
Called up share capital	24	-	-
Fair value reserve - investment properties	25	-	612
Cash flow hedge reserve	25	255	469
Profit and loss account	25	131,892	119,049
Equity attributable to owners of the company		<u>132,147</u>	<u>120,130</u>
Non controlling interests		-	(224)
<b>Total equity</b>		<u>132,147</u>	<u>119,906</u>

Approved and authorised by the Board on 20/09/21 and signed on its behalf by:

  
 R D Lamb  
 Director

The notes on pages 22 to 52 form an integral part of these financial statements.

# Reece Group Limited

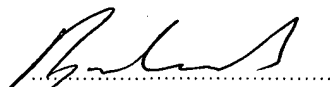
(Registration number: 07630662)

## Statement of Financial Position as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
<b>Fixed assets</b>			
Tangible assets	13	156	13
Investments	15	10,252	10,252
		<u>10,408</u>	<u>10,265</u>
<b>Current assets</b>			
Debtors	18	75,761	47,210
Cash at bank and in hand		5,892	3,911
		<u>81,653</u>	<u>51,121</u>
<b>Creditors: Amounts falling due within one year</b>	20	<u>(392)</u>	<u>(81)</u>
<b>Net current assets</b>		<u>81,261</u>	<u>51,040</u>
<b>Net assets</b>		<u>91,669</u>	<u>61,305</u>
<b>Capital and reserves</b>			
Called up share capital		-	-
Profit and loss account		91,669	61,305
<b>Total equity</b>		<u>91,669</u>	<u>61,305</u>

The company made a profit after tax for the financial year of £31,088,570 (2019 - loss of £1,183,532).

Approved and authorised by the Board on 20/09/21 and signed on its behalf by:



R D Lamb  
Director

The notes on pages 22 to 52 form an integral part of these financial statements.

# Reece Group Limited

## Consolidated Statement of Changes in Equity for the Year Ended 31 December 2020 Equity attributable to the parent company

	Share capital £ 000	Fair value reserve - investment properties £ 000	Cash flow hedge reserve £ 000	Profit and loss account £ 000	Total £ 000	Non- controlling interests £ 000	Total equity £ 000
At 1 January 2019	-	598	(275)	123,437	123,760	(140)	123,620
Profit/(loss) for the year	-	-	-	9,912	9,912	(84)	9,828
Other comprehensive income	-	-	744	(170)	574	-	574
Total comprehensive income	-	-	744	9,742	10,486	(84)	10,402
Dividends	-	-	-	(14,116)	(14,116)	-	(14,116)
Transfers	-	14	-	(14)	-	-	-
At 31 December 2019	-	612	469	119,049	120,130	(224)	119,906

	Share capital £ 000	Fair value reserve - investment properties £ 000	Cash flow hedge reserve £ 000	Profit and loss account £ 000	Total £ 000	Non- controlling interests £ 000	Total equity £ 000
At 1 January 2020	-	612	469	119,047	120,128	(224)	119,904
Profit for the year	-	-	-	13,157	13,157	-	13,157
Other comprehensive income	-	-	(214)	26	(188)	-	(188)
Total comprehensive income	-	-	(214)	13,183	12,969	-	12,969
Dividends	-	-	-	(726)	(726)	-	(726)
Transfers	-	(612)	-	612	-	-	-
Increase in ownership interests in subsidiaries	-	-	-	(224)	(224)	224	-
At 31 December 2020	-	-	255	131,892	132,147	-	132,147

The notes on pages 22 to 52 form an integral part of these financial statements.

## Reece Group Limited

### Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2019	-	76,605	76,605
Loss for the year	-	(1,184)	(1,184)
Total comprehensive income	-	(1,184)	(1,184)
Dividends	-	(14,116)	(14,116)
At 31 December 2019	-	61,305	61,305

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2020	-	61,305	61,305
Profit for the year	-	31,089	31,089
Total comprehensive income	-	31,089	31,089
Dividends	-	(725)	(725)
At 31 December 2020	-	91,669	91,669

The notes on pages 22 to 52 form an integral part of these financial statements.

# Reece Group Limited

## Consolidated Statement of Cash Flows for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
<b>Cash flows from operating activities</b>			
Profit for the year		13,157	9,828
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	1,887	2,025
Impairments of tangible assets		-	34
Changes in fair value of current asset investments		(2,923)	(3,396)
Changes in fair value of investment property	14	1,949	-
Profit on disposal of tangible assets		(107)	(748)
Profit from sales of investment properties		(1,750)	-
Finance income	6	(682)	(1,088)
Finance costs	7	77	17
Income tax expense	11	45	246
		<u>11,653</u>	<u>6,918</u>
Working capital adjustments			
(Increase)/decrease in stocks	17	(449)	309
Decrease/(increase) in debtors	18	2,631	(1,526)
Increase in creditors	20	882	422
Increase in provisions	22	186	320
		<u>14,903</u>	<u>6,443</u>
Cash generated from operations			
Income taxes received	11	407	781
		<u>15,310</u>	<u>7,224</u>
<b>Cash flows from investing activities</b>			
Interest received		203	382
Acquisitions of tangible assets		(1,811)	(933)
Proceeds from sale of tangible assets		169	2,444
Acquisition of intangible assets	12	-	(9)
Proceeds from sale of investment properties		3,150	-
Dividend income		483	661
Acquisition of short term listed investments	15	(13,338)	(12,602)
Proceeds from disposal of short term listed investments		20,336	12,194
Fixed term cash deposits		-	(48)
		<u>9,192</u>	<u>2,089</u>
<b>Cash flows from financing activities</b>			
Interest paid	7	(77)	(17)
Repayment of other borrowing		-	(1,363)
Payments to finance lease creditors		(82)	(80)
Dividends paid		(726)	(14,116)
		<u>(885)</u>	<u>(15,576)</u>
Net cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		23,617	(6,263)
Cash and cash equivalents at 1 January		38,434	44,721
Effect of exchange rate fluctuations on cash held		29	(24)
		<u>62,080</u>	<u>38,434</u>
Cash and cash equivalents at 31 December			

The notes on pages 22 to 52 form an integral part of these financial statements.

# Reece Group Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 1 General information

The company is a private company limited by share capital, incorporated in England & Wales.

The address of its registered office is Armstrong Works, Scotswood Road, Newcastle upon Tyne, NE15 6UX.

### 2 Accounting policies

#### Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

#### Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

These financial statements are prepared in sterling which is the functional currency of the entity, and rounded to the nearest £000.

#### Summary of disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not included its individual statement of comprehensive income.

The Company has taken advantage of the exemption available under paragraph 33.1A of FRS 102 and does not disclose related party transactions with members of the same group that are wholly owned.

#### Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2020.



# **Reece Group Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

### **2 Accounting policies (continued)**

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

#### **Non-controlling interests**

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

The proportions of profit or loss and changes in equity allocated to the owners of the parent and to the minority interests are determined on the basis of existing ownership interests and do not reflect the possible exercise or conversion of options or convertible instruments.

# **Reece Group Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

### **2 Accounting policies (continued)**

#### **Going concern**

The group meets its day to day working capital requirements through cash generated from operations and return on investments.

At the time of signing the financial statements there has been no unmanageable impact of COVID-19 on the group's main income streams, suppliers or employees.

The group's forecasts and projections for the next twelve months show that the group should be able to continue in operational existence for that period, taking into account possible changes in trading performance.

Having considered the current cash forecasts of the group the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing these financial statements. The group therefore continues to adopt the going concern basis in preparing its financial statements.

#### **Judgements**

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Revenue recognition - Judgement is required to determine whether to apply construction contract accounting (and recognise revenue as work progresses) or to only recognise revenue when an order is fully complete and delivered to the customer. When making this judgement, management consider factors such as the nature and duration of a contract and its significance to the activities of the company as a whole.

Carrying value of investments and intercompany receivables - In the company balance sheet, management must be satisfied that the carrying value of investments in subsidiaries, and any loans receivable from those subsidiaries, do not exceed their recoverable amount. This involves consideration of the most recent trading performance and financial position of the subsidiary, and also forecasts for future trading. The forward looking element of the assessment is inherently subject to uncertainty.

## Reece Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 2 Accounting policies (continued)

##### Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Useful economic lives of tangible assets - The annual depreciation charge is sensitive to changes in the estimated useful lives of the assets. The useful economic lives are re-assessed annually. They are amended when necessary to reflect current estimates, future investments and economic utilisation. The carrying amount is £14,957,000 (2019 - £15,042,000).

Valuation of work in progress - It is necessary to consider whether the accumulated cost of work in progress is ultimately recoverable, or whether a provision is required. When determining the need for provision, management considers the level of risk inherent in each project (which tends to be greater for more complex, unique or first in class projects and those of longer duration) and apply their best estimate of future time and material requirements. The carrying amount is £6,462,000 (2019 - £6,239,000).

Impairment of debtors - The group estimates the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management consider factors including the current credit rating of the debtor, the ageing profile and historical experience. The carrying amount is £152,000 (2019 - £18,000).

Provisions - Provision is made for product rectification costs under warranty and onerous leases, including dilapidation costs under those leases. These provisions require management's best estimate of the costs that will be incurred, based on contractual requirements and historical experience. The carrying amount is £483,000 (2019 - £431,000).

# Reece Group Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 2 Accounting policies (continued)

#### Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the group's activities. Turnover is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the company.

#### Sale of goods

Unless construction contract accounting is applied, turnover is recognised either when the goods are physically delivered to the customer or when customer is notified that the goods are ready for collection, depending on the agreed terms of sale. Payments received and amounts invoiced to customers in advance of goods being delivered are included in creditors as deferred income, and revenue recognised in advance of invoicing is shown as accrued income, within debtors.

When construction contract accounting is applied, if the outcome of the contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

#### Rendering of services

Revenue is recognised as services are provided. Where a contract has only been partially completed at the balance sheet date, turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

#### Rental income

Rental income is recognised on a straight line basis over the period of the lease.

#### Dividend and interest income

Dividend income is recognised when the right to receive payment is established. Interest income is recognised on an accruals basis.

#### Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grant will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

Government grants included within other operating income includes the UK Government assistance provided through Coronavirus Job Retention Scheme during the Covid-19 pandemic.

# **Reece Group Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

### **2 Accounting policies (continued)**

#### **Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

#### **Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the consolidated financial statements. Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

#### **Tangible assets**

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

# Reece Group Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 2 Accounting policies (continued)

#### Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold property	50 years straight line
Long leaseholder property	40 to 50 years straight line
Leasehold improvements	Lease term
Plant and machinery	5 to 10 years straight line
Motor vehicles	4 to 7 years straight line
Fixtures and fittings	2 to 8 years straight line
Office and computer equipment	3 years straight line

#### Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

#### Investment property

Investment property is carried at fair value, derived from the current market prices for comparable real estate determined annually by external valuers. The valuers use observable market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in profit or loss.

#### Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

# Reece Group Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 2 Accounting policies (continued)

#### Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

#### Intangible assets

Separately acquired trademarks and licences are shown at historical cost.

Trademarks, licences (including software) and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

#### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	10% straight line
Patents	10% - 20% straight line
Computer software	33% straight line

#### Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment. Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

#### Debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

# **Reece Group Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

### **2 Accounting policies (continued)**

#### **Inventories**

Stocks are stated at the lower of cost or estimated selling price less costs to complete and sell. Cost includes all direct costs and, for manufactured stocks and work in progress, an appropriate proportion of fixed and variable overheads (based on normal operating capacity). Cost is determined using the first-in first-out (FIFO) method.

Provision is made as necessary for damaged, obsolete or slow-moving items.

#### **Creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Provisions**

Provisions are recognised when the group has an obligation at the reporting date as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

#### **Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

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

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance costs in the Income Statement and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

#### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.



# Reece Group Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 2 Accounting policies (continued)

#### **Dividends**

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

#### **Defined contribution pension obligation**

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

#### **Research and development**

Research and development expenditure is written off to the profit and loss account in the period in which it is incurred.

#### **Derivative financial instruments and hedging**

##### ***Derivatives***

Derivative financial instruments, comprising forward currency contracts, are initially recognised at fair value at the date the contract is entered into and are subsequently remeasured to their fair value at each reporting date. Changes in fair value are recognised in the profit and loss account unless they are part of a hedging arrangement.

##### ***Hedging***

The company applies hedge accounting for transactions entered into to manage the cash flow exposure of sales contracts denominated in foreign currencies. Forward currency contracts are held to manage the foreign exchange exposures and are designated as cash flow hedges of highly probable forecast sales transactions.

Changes in the fair values of derivatives designated as cash flow hedges are recognised in other comprehensive income as either a gain or a loss. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since the inception of the hedge over the cumulative change in fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss account when the hedge relationship ends. Hedge accounting is discontinued on expiry or termination of the hedging instrument, the hedging instrument no longer meets the hedging criteria or the forecast transaction is no longer highly probable.

#### **Exceptional items**

Certain one-off charges or credits that have a material impact on the financial results are classified as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the group.

## Reece Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 3 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Sale of goods	53,120	53,703
Rendering of services	9,783	10,884
	<u>62,903</u>	<u>64,587</u>

The analysis of the group's turnover for the year by market is as follows:

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
UK	18,259	25,076
Europe	548	904
Rest of world	44,096	38,607
	<u>62,903</u>	<u>64,587</u>

#### 4 Other operating income

The analysis of the group's other operating income for the year is as follows:

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Grants	350	60
Miscellaneous other operating income	168	87
Rental income	633	825
	<u>1,151</u>	<u>972</u>

The group received government grant assistance during the year via the Coronavirus Job Retention Scheme of £323,868, which is included in Grants income above.

# Reece Group Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 5 Operating profit

Arrived at after charging/(crediting)

	2020 £ 000	2019 £ 000
Depreciation expense	1,832	1,971
Amortisation expense	55	54
Impairment loss	-	34
Research and development cost	2,062	1,695
Foreign exchange losses/(gains)	110	(187)
Operating lease expenses	567	513
Profit on disposal of property, plant and equipment	(107)	(748)
Exceptional expenses	<u>510</u>	<u>487</u>

During the year the group incurred exceptional expenses comprising redundancy costs of £497,000 and other one-off net expenses of £13,000.

In 2019 the exceptional expenses comprised of redundancy costs of £466,000 and other one-off net expenses of £21,000.

### 6 Other interest receivable and similar income

	2020 £ 000	2019 £ 000
Interest income on investments	9	16
Interest income on bank deposits	158	316
Dividend income	479	706
Other finance income	<u>36</u>	<u>50</u>
	<u>682</u>	<u>1,088</u>

### 7 Interest payable and similar expenses

	2020 £ 000	2019 £ 000
Interest on bank overdrafts and borrowings	58	5
Interest on obligations under finance leases and hire purchase contracts	<u>19</u>	<u>12</u>
	<u>77</u>	<u>17</u>

## Reece Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £ 000	2019 £ 000
Wages and salaries	18,413	20,180
Social security costs	1,984	2,057
Pension costs, defined contribution scheme	649	627
	<u>21,046</u>	<u>22,864</u>

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

	2020 No.	2019 No.
Production	240	263
Administration and support	76	113
Management	27	13
Apprentices	46	19
	<u>389</u>	<u>408</u>

#### 9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £ 000	2019 £ 000
Remuneration	765	729
Contributions paid to money purchase schemes	6	9
	<u>771</u>	<u>738</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2020 No.	2019 No.
Accruing benefits under money purchase pension scheme	<u>1</u>	<u>2</u>

# Reece Group Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 9 Directors' remuneration (continued)

In respect of the highest paid director:

	2020 £ 000	2019 £ 000
Remuneration	<u>459</u>	<u>371</u>

### 10 Auditors' remuneration

	2020 £ 000	2019 £ 000
Audit of these financial statements	7	8
Audit of the financial statements of subsidiaries of the company pursuant to legislation	<u>67</u>	<u>68</u>
	<u>74</u>	<u>76</u>

### 11 Taxation

Tax charged/(credited) in the income statement

	2020 £ 000	2019 £ 000
<b>Current taxation</b>		
UK corporation tax	51	119
UK corporation tax adjustment to prior periods	<u>(474)</u>	<u>(227)</u>
	<u>(423)</u>	<u>(108)</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	454	289
Arising from changes in tax rates and laws	<u>14</u>	<u>65</u>
Total deferred taxation	<u>468</u>	<u>354</u>
Tax expense in the income statement	<u>45</u>	<u>246</u>

## Reece Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 11 Taxation (continued)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	13,202	10,074
Corporation tax at standard rate	2,508	1,914
Decrease from effect of different UK tax rates on some earnings	-	(99)
Effect of revenues exempt from taxation	(26)	(216)
Effect of expense not deductible in determining taxable profit (tax loss)	309	94
Effect of tax losses	-	(516)
Deferred tax expense relating to changes in tax rates or laws	14	65
Deferred tax credit from unrecognised tax loss or credit	(247)	(817)
Decrease in UK and foreign current tax from adjustment for prior periods	(474)	(163)
Tax decrease from effect of adjustment in research and development tax credit	(686)	-
Tax (decrease)/increase from effect of indexation allowance on capital gains	(26)	13
Tax decrease from effect of rollover relief on profit on disposal of fixed assets	(308)	-
Other tax effects for reconciliation between accounting profit and tax expense (income)	(1,019)	(29)
Total tax charge	45	246

At the balance sheet date, the group had unutilised tax losses of approximately £12,440,000 (2019 - £18,598,000) available to carry forward against future taxable profits.

There exists an unrecognised deferred tax asset of approximately £1,820,000 (2019 - £2,726,000) in respect of these losses, which the directors have not recognised until such time as their recovery can be expected with reasonable certainty. The unrecognised deferred tax asset has been calculated based on tax rates substantively enacted by the balance sheet date, being 19% (2019 - 17%), that are expected to apply when the asset is recovered.

In the Spring Budget 2021 the government announced that the main rate of UK corporation tax will increase to 25% from 1 April 2023. However this proposed rate change had not been substantively enacted at the balance sheet date, so its effects are not included in these financial statements. If closing deferred taxation had been calculated based on a rate of 25%, the deferred tax liability provided as at 31 December 2020 would have been £860,000 (ie £206,000 higher) and the unrecognised deferred tax asset would have been £2,395,000 (ie £575,000 higher).

# Reece Group Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 11 Taxation (continued)

#### Deferred tax

#### Group

Deferred tax assets and liabilities

	Liability £ 000
<b>2020</b>	
Fixed assets timing differences	316
Short-term timing differences	815
Tax losses carried forward	(477)
	<u>654</u>
<b>2019</b>	
Fixed assets timing differences	157
Short-term timing differences	501
Tax losses carried forward	(436)
	<u>222</u>

#### Tax relating to items recognised in other comprehensive income or equity - group

	2020 £ 000	2019 £ 000
Deferred tax related to items recognised as items of other comprehensive income	<u>(36)</u>	<u>(152)</u>

# Reece Group Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 12 Intangible assets

#### Group

	Goodwill £ 000	Trademarks, patents and licenses £ 000	Computer software £ 000	Total £ 000
<b>Cost or valuation</b>				
At 1 January 2020	20,108	317	89	20,514
Disposals	-	(2)	-	(2)
At 31 December 2020	20,108	315	89	20,512
<b>Amortisation</b>				
At 1 January 2020	20,108	129	52	20,289
Amortisation charge	-	33	22	55
Amortisation eliminated on disposals	-	(2)	-	(2)
At 31 December 2020	20,108	160	74	20,342
<b>Carrying amount</b>				
At 31 December 2020	-	155	15	170
At 31 December 2019	-	188	37	225



# Reece Group Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 13 Tangible assets

#### Group

	Long leasehold land and buildings £ 000	Fixtures and fittings £ 000	Plant and machinery £ 000	Motor vehicles £ 000	Total £ 000
<b>Cost or valuation</b>					
At 1 January 2020	11,422	3,338	14,753	248	29,761
Additions	-	376	1,051	384	1,811
Disposals	(7)	(158)	(2,452)	(126)	(2,743)
Transfers	-	51	1,532	22	1,605
Foreign exchange movements	-	-	(13)	-	(13)
At 31 December 2020	<u>11,415</u>	<u>3,607</u>	<u>14,871</u>	<u>528</u>	<u>30,421</u>
<b>Depreciation</b>					
At 1 January 2020	1,716	2,962	9,922	118	14,718
Charge for the year	224	229	1,332	47	1,832
Eliminated on disposal	(3)	(135)	(1,970)	(65)	(2,173)
Transfers	-	4	1,086	7	1,097
Foreign exchange movements	-	-	(10)	-	(10)
At 31 December 2020	<u>1,937</u>	<u>3,060</u>	<u>10,360</u>	<u>107</u>	<u>15,464</u>
<b>Carrying amount</b>					
At 31 December 2020	<u>9,478</u>	<u>547</u>	<u>4,511</u>	<u>421</u>	<u>14,957</u>
At 31 December 2019	<u>9,706</u>	<u>376</u>	<u>4,831</u>	<u>130</u>	<u>15,043</u>

#### Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2020 £ 000	2019 £ 000
Plant and machinery	<u>369</u>	<u>424</u>

# Reece Group Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 13 Tangible assets (continued)

#### Company

	Fixtures and fittings £ 000	Plant and machinery £ 000	Office equipment £ 000	Motor vehicles £ 000	Total £ 000
<b>Cost or valuation</b>					
At 1 January 2020	9	12	55	-	76
Additions	-	-	6	151	157
At 31 December 2020	9	12	61	151	233
<b>Depreciation</b>					
At 1 January 2020	9	10	44	-	63
Charge for the year	-	2	8	4	14
At 31 December 2020	9	12	52	4	77
<b>Carrying amount</b>					
At 31 December 2020	-	-	9	147	156
At 31 December 2019	-	2	11	-	13

### 14 Investment properties

#### Group

	2020 £ 000
At 1 January	9,664
Disposals	(1,400)
Fair value adjustments	(1,949)
At 31 December	6,315

The investment properties comprise of £3,380,000 of freehold property and £2,935,000 long leasehold properties.

During the year both the investment properties held were reduced to their external valuations as made by BNP Paribas, on an open market value basis.

# Reece Group Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 15 Investments

#### Company

	2020 £ 000	2019 £ 000
Investments in subsidiaries	<u>10,252</u>	<u>10,252</u>
<b>Subsidiaries</b>		<b>£ 000</b>
<b>Cost or valuation</b>		
At 1 January 2020		49,432
Additions		1
Disposals		<u>(4,806)</u>
At 31 December 2020		<u>44,627</u>
<b>Provision</b>		
At 1 January 2020		39,180
Provision		1
Eliminated on disposals		<u>(4,806)</u>
At 31 December 2020		<u>34,375</u>
<b>Carrying amount</b>		
At 31 December 2020		<u>10,252</u>
At 31 December 2019		<u>10,252</u>

#### Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2020	2019
<b>Subsidiary undertakings</b>				
Pearson Engineering Limited	Armstrong Works Scotswood Road Newcastle upon Tyne NE15 6UX England & Wales	Ordinary	100%	100%
Pearson Engineering Inc	87 Amlajack Way Newnan GA 30265 USA		100%	100%

## Reece Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 15 Investments (continued)

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			100%	100%
Responsive Engineering (Holdings) Limited	Armstrong Works Scotswood Road Newcastle upon Tyne NE15 6UX England & Wales	Ordinary		
Responsive Engineering Limited	Armstrong Works Scotswood Road Newcastle upon Tyne NE15 6UX England & Wales	Ordinary	100%	100%
Rapid Manufacturing Services Limited	Armstrong Works Scotswood Road Newcastle upon Tyne NE15 6UX England & Wales	Ordinary	100%	100%
Velocity Works Limited	Armstrong Works Scotswood Road Newcastle upon Tyne NE15 6UX England & Wales	Ordinary	100%	100%
Velocity UK Limited	Armstrong Works Scotswood Road Newcastle upon Tyne NE15 6UX England & Wales	Ordinary	100%	100%
Velocity Road Solutions Inc	87 Amlajack Way Newnan GA 30265 USA		100%	100%
Velocity Patching Limited	Armstrong Works Scotswood Road Newcastle upon Tyne NE15 6UX England & Wales	Ordinary	100%	100%
Velocity Transport Solutions Limited	Armstrong Works Scotswood Road Newcastle upon Tyne NE15 6UX England & Wales	Ordinary	100%	100%
Reece Treasury Management Limited	Armstrong Works Scotswood Road Newcastle upon Tyne NE15 6UX England & Wales	Ordinary	100%	100%

## Reece Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 15 Investments (continued)

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			100%	100%
Reece Property Limited	Armstrong Works Scotswood Road Newcastle upon Tyne NE15 6UX England & Wales	Ordinary		
Reece Innovation Centre Limited	Armstrong Works Scotswood Road Newcastle upon Tyne NE15 6UX England & Wales	Ordinary	100%	100%
Jayauto Limited	Armstrong Works Scotswood Road Newcastle upon Tyne NE15 6UX England & Wales	Ordinary	100%	100%
Reece Dormco Limited	Armstrong Works Scotswood Road Newcastle upon Tyne NE15 6UX England & Wales	Ordinary	100%	75%
Omnium Sensing Limited	Armstrong Works Scotswood Road Newcastle upon Tyne NE15 6UX England & Wales	Ordinary	100%	100%
Tellus Utilities Limited	Armstrong Works Scotswood Road Newcastle upon Tyne NE15 6UX England & Wales	Ordinary	100%	100%

## Reece Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 15 Investments (continued)

##### Subsidiary undertakings

- Pearson Engineering Limited - Combat engineering equipment
- Pearson Engineering Inc - Combat engineering equipment
- Responsive Engineering (Holdings) Limited - Intermediate holding company
- Responsive Engineering Limited - Sub-contract manufacturing services
- Rapid Manufacturing Services Limited - Sub-contract manufacturing services
- Velocity Works Limited - Intermediate holding company
- Velocity UK Limited - Road repair services
- Velocity Road Solutions Inc - Road repair services
- Velocity Patching Limited - Dormant
- Velocity Transport Solutions Limited - Vehicle and driver hire services
- Reece Treasury Management Limited - Group treasury function
- Reece Property Limited - Group property function
- Reece Innovation Centre Limited - Research and development
- Jayauto Limited - Dormant
- Reece Dormco Limited - Dormant
- Omnium Sensing Limited - Dormant
- Tellus Utilities Limited - Dormant

All subsidiaries are held directly, except for Pearson Engineering Inc which is the subsidiary of Pearson Engineering Limited. Responsive Engineering Limited which is the subsidiary of Responsive Engineering (Holdings) Limited. Rapid Manufacturing Services Limited which are the subsidiaries of Responsive Engineering Limited. Velocity UK Limited which is the subsidiary of Velocity Works Limited. Velocity Patching Limited, Velocity Road Solutions Inc and Velocity Transport Solutions which are the subsidiaries of Velocity UK Limited.

Pearson Real Estate LLP, Exact Machining (Holdings) Limited, Exact Machining UK Limited and Pressex UK Limited were all dissolved during the year.

Since the year end Reece Dormco Limited, Omnium Sensing Limited and Tellus Utilities Limited have been dissolved.

# Reece Group Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 16 Other financial assets

#### Group

	Unlisted investments £ 000
<b>Non-current financial assets</b>	
<b>Cost or valuation</b>	
At 1 January 2020	10
At 31 December 2020	10
<b>Impairment</b>	
At 1 January 2020	10
At 31 December 2020	10
<b>Carrying amount</b>	
At 31 December 2020	-
At 31 December 2019	-

The group has an indirect investment in a 50% Joint Venture, Velocity Global Limited. Velocity Global Limited is incorporated in the UK. The group also has an indirect 20% in Green Patcher Colombia SAS. This company is incorporated in Colombia.

Both of these investments are considered to be immaterial and not significant to the group and therefore have not been equity accounted in line with FRS 102.

	Derivatives used for hedging £ 000
<b>Current financial assets</b>	
<b>Cost or valuation</b>	
At 1 January 2020	565
Fair value adjustments	(250)
At 31 December 2020	315
<b>Carrying amount</b>	
At 31 December 2020	315
At 31 December 2019	565

# Reece Group Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 16 Other financial assets (continued)

#### Company

	Financial assets at cost less impairment £ 000
<b>Non-current financial assets</b>	
<b>Cost or valuation</b>	
At 1 January 2020	10
At 31 December 2020	10
<b>Impairment</b>	
At 1 January 2020	10
At 31 December 2020	10
<b>Carrying amount</b>	
At 31 December 2020	-
At 31 December 2019	-

### 17 Stocks

	2020 £ 000	Group 2019 £ 000	2020 £ 000	Company 2019 £ 000
Raw materials and consumables	1,988	1,748	-	-
Work in progress	6,462	6,239	-	-
Finished goods and goods for resale	-	14	-	-
	<u>8,450</u>	<u>8,001</u>	<u>-</u>	<u>-</u>

### 18 Debtors

	Note	2020 £ 000	Group 2019 £ 000	2020 £ 000	Company 2019 £ 000
Trade debtors		6,218	12,357	-	-
Amounts owed by related parties	30	125	90	75,534	46,990
Other debtors		554	574	13	11
Prepayments		1,203	967	10	26
Accrued income		4,451	1,200	-	-
Deferred tax assets	11	-	-	204	183
Corporation tax asset	11	187	240	-	-
		<u>12,738</u>	<u>15,428</u>	<u>75,761</u>	<u>47,210</u>
Less non-current portion		-	-	(7,345)	(2,504)
		<u>12,738</u>	<u>15,428</u>	<u>68,416</u>	<u>44,706</u>



# Reece Group Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 18 Debtors (continued)

#### Details of non-current trade and other debtors

##### Company

£2,534,669 (2019 - £2,504,404) of Amounts owed by related parties is classified as non current.

### 19 Current asset investments

	2020 £ 000	Group 2019 £ 000	2020 £ 000	Company 2019 £ 000
Listed investments	37,329	36,279	-	-
Fixed term cash deposits	-	5,125	-	-
	<u>37,329</u>	<u>41,404</u>	<u>-</u>	<u>-</u>

See note 32 for post balance sheet events relating to the market value of investments post year end.

### 20 Creditors

	Note	2020 £ 000	Group 2019 £ 000	2020 £ 000	Company 2019 £ 000
<b>Due within one year</b>					
Loans and borrowings	21	75	85	-	-
Trade creditors		2,185	2,368	23	19
Amounts due to related parties	30	-	-	-	8
Social security and other taxes		1,453	1,254	54	31
Other creditors		46	39	3	3
Accruals		4,326	3,820	312	20
Corporation tax liability	11	50	120	-	-
Gross amount due to customers for contract work		<u>625</u>	<u>272</u>	<u>-</u>	<u>-</u>
		<u>8,760</u>	<u>7,958</u>	<u>392</u>	<u>81</u>
<b>Due after one year</b>					
Loans and borrowings	21	<u>176</u>	<u>248</u>	<u>-</u>	<u>-</u>

## Reece Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 21 Loans and borrowings

	2020 £ 000	Group 2019 £ 000	2020 £ 000	Company 2019 £ 000
<b>Current loans and borrowings</b>				
Hire purchase and finance lease liabilities	<u>75</u>	<u>85</u>	<u>-</u>	<u>-</u>
<b>Non-current loans and borrowings</b>				
Hire purchase contracts	<u>176</u>	<u>248</u>	<u>-</u>	<u>-</u>

Hire purchase contract liabilities are secured against the assets to which they relate.

#### 22 Provisions for liabilities

##### Group

	Warranties £ 000	Onerous contracts £ 000	Deferred tax £ 000	Total £ 000
At 1 January 2020	231	200	221	652
Additional provisions	374	-	-	374
Increase (decrease) in existing provisions	-	(66)	433	367
Provisions used	<u>(122)</u>	<u>-</u>	<u>-</u>	<u>(122)</u>
At 31 December 2020	<u>483</u>	<u>134</u>	<u>654</u>	<u>1,271</u>

The warranty provision reflects an estimate of the future warranty costs arising on sales made in the year, and is expected to be utilised within the next financial year.

The onerous contract provision reflects the remaining value of a lease entered into less any guaranteed income to be received on the property.

## Reece Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 23 Pension and other schemes

##### Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £648,480 (2019 - £627,536).

Contributions totalling £6,555 (2019 - £5,422) were payable to the scheme at the end of the year and are included in creditors.

#### 24 Share capital

##### Allotted, called up and fully paid shares

	No.	2020 £	No.	2019 £
Ordinary A shares of £0.10 each	80	8	80	8
Ordinary B shares of £0.10 each	80	8	80	8
Ordinary C shares of £0.10 each	80	8	80	8
Ordinary D shares of £0.10 each	80	8	80	8
Ordinary E shares of £0.10 each	80	8	80	8
Ordinary F shares of £0.10 each	80	8	80	8
Ordinary G shares of £0.10 each	80	8	80	8
Ordinary H shares of £0.10 each	147	15	147	15
Ordinary I shares of £0.10 each	147	15	147	15
Ordinary J shares of £0.10 each	146	15	146	15
	<u>1,000</u>	<u>100</u>	<u>1,000</u>	<u>100</u>

All classes of ordinary share rank pari passu in all respects, other than no dividend is payable on the J Ordinary shares until an aggregate threshold for dividends paid across all other classes of Ordinary shares is exceeded.

Dividends paid on one class of share may differ from those paid on another class of share as the directors decide.

## Reece Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 25 Reserves

##### Group

##### Called up share capital

This represents the nominal value of shares that have been issued.

##### Revaluation reserve

Fair value gains on investment property recognised in the profit and loss account, together with any associated deferred tax, are transferred from the profit and loss reserve to an investment property fair value reserves, as the gains not distributable until they are realised on disposal of the property.

##### Profit and loss account

The profit and loss reserve is the group's / company's cumulative profits and losses, net of cumulative dividends paid and other adjustments. Fair value gains on investment property recognised in the profit and loss account, together with any associated deferred tax, are transferred from the profit and loss reserve to an investment property fair value reserves, as the gains not distributable until they are realised on disposal of the property.

##### Cash flow hedge reserve

This reserve records gains and losses arising from the company's hedging arrangements.

#### 26 Obligations under leases and hire purchase contracts

##### Group

##### Finance leases

The total of future minimum lease payments is as follows:

	2020 £ 000	2019 £ 000
Not later than one year	75	85
Later than one year and not later than five years	176	248
	<u>251</u>	<u>333</u>

##### Operating leases

The total of future minimum lease payments is as follows:

	2020 £ 000	2019 £ 000
Not later than one year	181	177
Later than one year and not later than five years	334	324
	<u>515</u>	<u>501</u>

# Reece Group Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 26 Obligations under leases and hire purchase contracts (continued)

#### Operating leases - lessor

The total of future minimum lease payments is as follows:

	2020 £ 000	2019 £ 000
Not later than one year	688	735
Later than one year and not later than five years	2,205	2,940
Later than five years	266	1,414
	<u>3,159</u>	<u>5,089</u>

### 27 Dividends

	2020 £ 000	2019 £ 000
Interim dividend of £725 (2019 - £141,165) per ordinary share	<u>725</u>	<u>14,117</u>

### 28 Contingent liabilities

#### Group

From time to time, the group provides bank guarantees to its customers. At the balance sheet date, guarantees were in place amounting to £3,885,000 (2019 - £2,361,000).

### 29 Analysis of changes in net debt

#### Group

	At 1 January 2020 £ 000	Financing cash flows £ 000	Foreign exchange movements £ 000	At 31 December 2020 £ 000
<b>Cash and cash equivalents</b>				
Cash	38,434	23,617	29	62,080
<b>Borrowings</b>				
Lease liabilities	<u>(333)</u>	<u>82</u>	<u>-</u>	<u>(251)</u>
	<u>38,101</u>	<u>23,699</u>	<u>29</u>	<u>61,829</u>

## Reece Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 30 Related party transactions

##### Group

##### Key management compensation

	2020 £ 000	2019 £ 000
Salaries and other short term employee benefits	<u>1,111</u>	<u>1,008</u>

During the year, Reece Property Limited charged rent to Benbecula Group, a company which J P Reece is a director and shareholder, of £14,863 (2019 - £61,534), recharged utility costs of £10,754 (2019 - £23,223) and was recharged repair costs of £59,286 (2019 - £Nil). At the balance sheet date the amount due from Benbecula Group was £Nil (2019 - £116,848).

During the year, Velocity UK Limited made sales to Velocity Global Limited, a company with a common shareholder of £28,209 (2019 - £32,394). At the balance sheet date the amount due from Velocity Global Limited was £124,928 (2019 - £90,458).

#### 31 Parent and ultimate parent undertaking

The ultimate controlling party is the Trustees of the Dr Reece Will Trust, as a body.