

BEATSON'S BUILDING SUPPLIES LIMITED
STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018

Martin Aitken & Co Ltd
Statutory Auditor
Chartered Accountants
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Glasgow
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FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018**

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**STRATEGIC REPORT
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018**

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

REVIEW OF BUSINESS

The results for the period and financial position of the company are shown in the annexed financial statements.

We aim to present a balanced and comprehensive review of the development and performance of our business during the period and its position at the period end. Our review is consistent with the size and nature of our business and is written in the context of the risks and uncertainties we face.

Our key financial performance indicators are those that communicate the financial performance and strength of the company as a whole and are turnover, gross margin, operating profit and return on capital employed.

The company's turnover decreased by £1,498,829 from £37,138,631 (2017 pro rata) to £35,639,802, a decrease of 4.0% (2017 11.6% increase) with gross margin decreasing by £534,087 from £12,272,403 (2017 pro rata) to £11,738,316 on a gross profit percentage for the period of 32.9% (2017 33.0%).

Operating profit decreased to £1,755,630 from £2,895,222 in 2017 (pro rata). Return on capital employed has decreased to 21.8% (2017 42.9%). Return on capital employed is calculated as profit before interest and tax, divided by capital employed, which constitutes total assets less current liabilities, less investments, less cash, plus overdrafts and other short term borrowings. Net assets at 31 December 2018 have risen to £4,238,912 from £3,680,947 at 31 July 2017.

The company continues to reinvestment for growth. Investment in the current period included the acquisition of additional vehicles to service the volumetric concrete business, expanding the trading facility in Errol and the acquisitions of larger premises in Stirling, which opened in April 2019.

The company has continued to grow the membership involvement of the H&B Buying Group which, together with an excellent relationship with its supplier base, has allowed the company to maintain its margin in a tight marketplace.

PRINCIPAL RISKS AND UNCERTAINTIES

The main challenge affecting the company in the coming year is the continued uncertainty in the UK economy caused by Brexit continuing to be unresolved. Along with shortages in some key supplies which continues to push prices higher in the marketplace across the UK. Until Brexit is concluded the uncertainty will continue.

FINANCIAL INSTRUMENTS

The company has adopted the disclosure and presentational requirements of FRS 102. When a financial asset or liability is disclosed initially it is measured at its fair value plus or minus transaction costs. The company regularly monitors its exposure to risks including pricing, credit, liquidity and cash flow.

The company has tightened up controls over collection of trade debtors and has agreed payment terms with its suppliers.

The company is satisfied with the level of cash flow being maintained after taking into consideration the timing aspect of debtor recoverability and the payment of trade creditors and other business expenses.

The bank is currently satisfied with the company's financial performance and the directors do not consider there to be any risk of their facilities being withdrawn. The company's deposits are all in place with major UK financial institutions which are regulated by the Financial Conduct Authority.

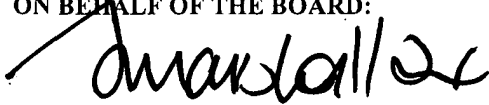
BEATSON'S BUILDING SUPPLIES LIMITED (REGISTERED NUMBER: SC044008)

**STRATEGIC REPORT
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018**

FUTURE DEVELOPMENTS

The company intends to continue to focus on its core activities whilst continuing its membership of the H&B Buying Group. The company recognises that whilst seeing some confidence returning to the market this year, it is still operating in a challenging sector with uncertainty over the economic situation with the non-concluded Brexit deal.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'J Marshall Jnr', is written over the text 'ON BEHALF OF THE BOARD:'.

J Marshall Jnr - Director

10 September 2019

**REPORT OF THE DIRECTORS
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018**

The directors present their report with the financial statements of the company for the period 1 August 2017 to 31 December 2018.

PRINCIPAL ACTIVITY

The principal activity of the company during the period was the supply of building materials.

DIVIDENDS

Interim dividends totalling £797,000 were paid during the period. The total distribution for the period ended 31 December 2018 will be £797,000.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 August 2017 to the date of this report.

J Marshall Jnr
J R Marshall
Ms D Craw

STRATEGIC REPORT

The company has chosen in accordance with Section 414C(11) Companies Act 2006 to set out in the company's Strategic Report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the Directors' Report. It has done so in respect of financial instruments and future developments.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors, the Strategic Report and the financial statements in accordance with applicable laws 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 the affairs of the company and of the profit and loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BEATSON'S BUILDING SUPPLIES LIMITED (REGISTERED NUMBER: SC044008)

**REPORT OF THE DIRECTORS
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'J Marshall Jnr', with a long horizontal line extending to the left.

J Marshall Jnr - Director

10 September 2019

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BEATSON'S BUILDING SUPPLIES LIMITED

Opinion

We have audited the financial statements of Beatson's Building Supplies Limited (the 'company') for the period ended 31 December 2018 which comprise the Profit and Loss Account, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BEATSON'S BUILDING SUPPLIES LIMITED

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

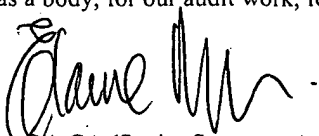
Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Elaine Dyer BA CA (Senior Statutory Auditor)
for and on behalf of Martin Aitken & Co Ltd
Statutory Auditor
Chartered Accountants
Caledonia House
89 Seaward Street
Glasgow
G41 1HJ

10 September 2019

BEATSON'S BUILDING SUPPLIES LIMITED (REGISTERED NUMBER: SC044008)

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018**

	Notes	Period 1/8/17 to 31/12/18 £	Year Ended 31/7/17 £
TURNOVER		35,639,802	26,215,504
Cost of sales		<u>(23,901,486)</u>	<u>(17,552,631)</u>
GROSS PROFIT		11,738,316	8,662,873
Administrative expenses		<u>(9,980,401)</u>	<u>(6,642,212)</u>
		1,757,915	2,020,661
Other operating income	2	<u>17,715</u>	<u>23,025</u>
OPERATING PROFIT	4	1,775,630	2,043,686
Interest receivable and similar income		<u>527</u>	<u>135</u>
		1,776,157	2,043,821
Interest payable and similar expenses	5	<u>(58,212)</u>	<u>(51,934)</u>
PROFIT BEFORE TAXATION		1,717,945	1,991,887
Tax on profit	6	<u>(362,980)</u>	<u>(406,248)</u>
PROFIT FOR THE FINANCIAL PERIOD		<u><u>1,354,965</u></u>	<u><u>1,585,639</u></u>

The notes form part of these financial statements

BEATSON'S BUILDING SUPPLIES LIMITED (REGISTERED NUMBER: SC044008)

**OTHER COMPREHENSIVE INCOME
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018**

	Notes	Period 1/8/17 to 31/12/18 £	Year Ended 31/7/17 £
PROFIT FOR THE PERIOD		1,354,965	1,585,639
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>1,354,965</u></u>	<u><u>1,585,639</u></u>

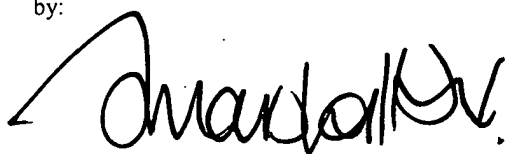
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BEATSON'S BUILDING SUPPLIES LIMITED (REGISTERED NUMBER: SC044008)

**BALANCE SHEET
31 DECEMBER 2018**

	Notes	2018 £	2017 £
FIXED ASSETS			
Tangible assets	8	7,039,285	4,246,763
CURRENT ASSETS			
Stocks	9	1,808,443	2,176,651
Debtors	10	2,910,896	3,610,874
Cash at bank and in hand		<u>81,857</u>	<u>100,473</u>
		4,801,196	5,887,998
CREDITORS			
Amounts falling due within one year	11	<u>4,241,187</u>	<u>5,544,455</u>
NET CURRENT ASSETS		<u>560,009</u>	<u>343,543</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		7,599,294	4,590,306
CREDITORS			
Amounts falling due after more than one year	12	(3,234,733)	(780,363)
PROVISIONS FOR LIABILITIES	16	(125,649)	(125,281)
ACCRUALS AND DEFERRED INCOME	17	-	(3,715)
NET ASSETS		<u>4,238,912</u>	<u>3,680,947</u>
CAPITAL AND RESERVES			
Called up share capital	18	315,000	315,000
Non-distributable reserve	19	570,489	589,311
Retained earnings	19	<u>3,353,423</u>	<u>2,776,636</u>
SHAREHOLDERS' FUNDS		<u>4,238,912</u>	<u>3,680,947</u>

The financial statements were approved by the Board of Directors on 10 September 2019 and were signed on its behalf by:



J Marshall Jnr - Director

The notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018**

	Called up share capital £	Retained earnings £	Non-distributable reserve £	Total equity £
Balance at 1 August 2016	315,000	2,213,836	606,472	3,135,308
Changes in equity				
Dividends	-	(1,040,000)	-	(1,040,000)
Total comprehensive income	-	1,602,800	(17,161)	1,585,639
Balance at 31 July 2017	<u>315,000</u>	<u>2,776,636</u>	<u>589,311</u>	<u>3,680,947</u>
Changes in equity				
Dividends	-	(797,000)	-	(797,000)
Total comprehensive income	-	1,373,787	(18,822)	1,354,965
Balance at 31 December 2018	<u>315,000</u>	<u>3,353,423</u>	<u>570,489</u>	<u>4,238,912</u>

**CASH FLOW STATEMENT
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018**

	Notes	Period 1/8/17 to 31/12/18 £	Year Ended 31/7/17 £
Cash flows from operating activities			
Cash generated from operations	1	2,236,142	2,856,739
Interest paid		(36,000)	(18,199)
Interest element of hire purchase and finance lease rental payments paid		(22,212)	(33,735)
Tax paid		<u>(798,435)</u>	<u>(282,740)</u>
Net cash from operating activities		<u>1,379,495</u>	<u>2,522,065</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(2,995,255)	(552,449)
Sale of tangible fixed assets		163,750	27,499
Interest received		<u>527</u>	<u>135</u>
Net cash from investing activities		<u>(2,830,978)</u>	<u>(524,815)</u>
Cash flows from financing activities			
New loans in period		2,500,000	-
Loan repayments in period		(281,250)	(345,000)
Capital repayments in period		(353,552)	(259,331)
Amount introduced by directors		-	7,427
Amount withdrawn by directors		2,611	(55,995)
Equity dividends paid		<u>(797,000)</u>	<u>(1,040,000)</u>
Net cash from financing activities		<u>1,070,809</u>	<u>(1,692,899)</u>
(Decrease)/increase in cash and cash equivalents		<u>(380,674)</u>	<u>304,351</u>
Cash and cash equivalents at beginning of period	2	<u>100,473</u>	<u>(203,878)</u>
Cash and cash equivalents at end of period	2	<u><u>(280,201)</u></u>	<u><u>100,473</u></u>

The notes form part of these financial statements

**NOTES TO THE CASH FLOW STATEMENT
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	Period 1/8/17 to 31/12/18 £	Year Ended 31/7/17 £
Profit before taxation	1,717,945	1,991,887
Depreciation charges	734,402	463,928
Profit on disposal of fixed assets	(39,319)	(1,354)
Decrease in other provisions	-	(17,060)
Government grants	(3,715)	(2,229)
Finance costs	58,212	51,934
Finance income	(527)	(135)
	<u>2,466,998</u>	<u>2,486,971</u>
Decrease/(increase) in stocks	368,208	(143,171)
Decrease/(increase) in trade and other debtors	736,610	(116,214)
(Decrease)/increase in trade and other creditors	<u>(1,335,674)</u>	<u>629,153</u>
Cash generated from operations	<u>2,236,142</u>	<u>2,856,739</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Period ended 31 December 2018

	31/12/18 £	1/8/17 £
Cash and cash equivalents	81,857	100,473
Bank overdrafts	<u>(362,058)</u>	<u>-</u>
	<u>(280,201)</u>	<u>100,473</u>

Year ended 31 July 2017

	31/7/17 £	1/8/16 £
Cash and cash equivalents	100,473	21,145
Bank overdrafts	<u>-</u>	<u>(225,023)</u>
	<u>100,473</u>	<u>(203,878)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018**

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

Beatson's Building Supplies Limited is a private company, limited by shares, incorporated in Scotland. The registered office is The Whins, Alloa, FK10 3TA.

The financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. There were no material departures from that standard. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

The financial statements are presented in Sterling (£).

Frequency of Reporting

Due to the seasonal nature of the business, it was decided to extend the accounts to a 17 month period to ensure the accounting reference date did not coincide with the company's busiest period. Due to this extension in accounting period, comparative amounts presented in the financial statements are not entirely comparable.

Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Judgements

The company considers on an annual basis the judgements that are made by management when applying its significant accounting policies that would have the most significant effect on amounts that are recognised in the financial statements. In preparing these financial statements, the directors have made the following judgements:-

- To determine whether leases entered into by the company as a lessee are operating leases or hire purchase agreements. These decisions depend on the assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Information and key sources of estimation uncertainty

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

The directors consider the key sources of estimation uncertainty to be as follows:-

- Tangible fixed assets (see note 8) are depreciated over their estimated useful lives. The actual lives of the assets are assessed at the end of each reporting period and may vary depending on a number of factors. In re-assessing asset lives, factors such as level of usage and maintenance programmes are taken into account. The directors assessed that no changes were required to the estimated useful lives of the tangible fixed assets and therefore, determined that the stated depreciation policies applied in prior years remain appropriate.

- To determine whether there are any indicators of impairment of the company's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset concerned.

Turnover

Turnover comprises the invoiced cost of goods sold during the year, excluding value added tax and net of trade discounts. The company's policy is to recognise a sale when substantively all the risks and rewards in connection with the goods have been passed to the buyer.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018

1. ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Heritable property	- 2% straight line
Leasehold improvements	- straight line over life of lease.
Plant and machinery	- 15% on cost
Furniture and fittings	- 15% on cost and straight line over term of lease
Motor vehicles	- 20% on cost and 20% on reducing balance

Plant and equipment are included in the financial statements at cost less accumulated depreciation and impairment losses.

Land and buildings are carried at their revalued amounts, being fair value at the date of valuation less any subsequent depreciation and impairment losses. Land included within heritable property has not been depreciated. Revaluations are performed by professionally qualified valuers with sufficient regularity to ensure that the carrying amounts do not differ materially from those that would be determined using fair values. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation increase in the carrying amount of land and buildings is recognised in other comprehensive income and included in a revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the profit or loss, in which case the increase is credited to the profit and loss to the extent of the decrease previously expended. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve in equity: decreases exceeding the balance in revaluation reserve relating to an asset are recognised in the profit and loss. At each reporting date the difference between depreciation based on the revalued carrying amount of the asset recognised in profit or loss and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings.

Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value, like goodwill and plant, property and equipment, are reviewed to determine whether there is an indication that an asset may be impaired. If there is an indication of possible impairment, the recoverable amount which is the higher of value in use and the fair value less cost to sell, is estimated and compared with the carrying amount. If the recoverable amount is lower, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in profit and loss.

Stocks

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell, after making due allowance for obsolete and slow moving items. Replacement cost of stock would not be materially different.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018**

1. ACCOUNTING POLICIES - continued

Taxation

Taxation represents the sum of tax currently payable and deferred tax. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The charge for taxation takes into account taxation deferred as a result of timing differences between the treatment of certain items for taxation and accounting purposes. In general, deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. However, deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred taxation is measured on a non-discounted basis at the average tax rates that would apply when the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the balance sheet date.

With the exception of changes arising on the initial recognition of a business combination, the tax expense is presented either in profit or loss, other comprehensive income or statement of changes in equity depending on the transaction that resulted in the tax expense.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Rentals receivable under operating leases are credited to the profit and loss account as they accrue.

Pension costs and other post-retirement benefits

The company operates defined contribution pension schemes for the directors and staff of the company. The assets of the scheme are held separately from those of the company in independently administered funds. Contributions payable for the period are charged in the profit and loss account.

Investment properties

The company holds a property for rental purposes. Investment properties are accounted for as follows:

(i) Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure.

(ii) Subsequently investment properties whose fair value can be measured reliably without undue cost or effort on an on-going basis are measured at fair value. The surplus or deficit arising on revaluation in the reporting period is recognised in the profit and loss account for that period. Revaluation gains and losses are accumulated in the profit and loss account reserve, unless the revaluation amount exceeds original cost in which case, a transfer is made of the surplus to a non distributable reserve in the balance sheet. Investment properties whose fair value cannot be measured reliably without undue cost or effort on an on-going basis are included in plant, property and equipment at cost less accumulated depreciation and accumulated impairment losses.

(iii) Deferred taxation is provided on any gains at the rate expected to apply when a property is sold.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018

1. ACCOUNTING POLICIES - continued

Government grants

Government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate. Grants of a revenue nature are taken to the profit and loss account in the period in which the expenditure is incurred.

Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans from banks and other third parties and loans to related parties.

Debt instruments like loans and other accounts receivable and payable are initially measured at present value of future payments and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and trade creditors, are measured initially, and subsequently, at the undiscounted amount of cash or other consideration expected to be paid or received.

Financial assets measured at cost and amortised cost are assessed at the end of each reporting period for evidence of impairment and if found, an impairment loss is recognised in the profit and loss account.

Provisions

Provisions are recognised where the company has a legal or constructive obligation at the reporting date resulting from a past event, it is probable that the company will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Employee benefits

Short term employee benefits are recognised as an expense in the period in which they are incurred.

2. OTHER OPERATING INCOME

	Period 1/8/17 to 31/12/18 £	Year Ended 31/7/17 £
Rents received	14,000	13,000
Other operating income	-	7,796
Government grants	<u>3,715</u>	<u>2,229</u>
	<u>17,715</u>	<u>23,025</u>

The rents received are in respect of amounts due under operating leases.

3. EMPLOYEES AND DIRECTORS

	Period 1/8/17 to 31/12/18 £	Year Ended 31/7/17 £
Wages and salaries	4,690,329	3,041,192
Social security costs	467,042	302,930
Other pension costs	<u>102,230</u>	<u>84,535</u>
	<u>5,259,601</u>	<u>3,428,657</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018

3. EMPLOYEES AND DIRECTORS - continued

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

	Period 1/8/17 to 31/12/18	Year Ended 31/7/17
Production staff	73	54
Administration staff	<u>56</u>	<u>68</u>
	<u>129</u>	<u>122</u>

	Period 1/8/17 to 31/12/18	Year Ended 31/7/17
	£	£
Directors' remuneration	571,731	459,676
Directors' pension contributions to money purchase schemes	<u>5,824</u>	<u>10,681</u>

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

Money purchase schemes	<u>3</u>	<u>4</u>
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Information regarding the highest paid director is as follows:

	Period 1/8/17 to 31/12/18	Year Ended 31/7/17
	£	£
Emoluments etc	<u>331,985</u>	<u>233,461</u>

4. OPERATING PROFIT

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

	Period 1/8/17 to 31/12/18	Year Ended 31/7/17
	£	£
Hire of plant and machinery	735,204	366,406
Other operating leases	249,208	138,780
Depreciation - owned assets	466,633	256,594
Depreciation - assets on hire purchase contracts and finance leases	267,769	207,334
Profit on disposal of fixed assets	(39,319)	(1,354)
Auditors' remuneration	53,310	28,075
Auditors' remuneration for non audit work	68,000	8,000
Government grants	<u>(3,715)</u>	<u>(2,229)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	Period 1/8/17 to 31/12/18 £	Year Ended 31/7/17 £
Interest on bank loans and overdrafts	36,000	18,199
Hire purchase interest	19,848	29,435
Finance lease interest	<u>2,364</u>	<u>4,300</u>
	<u>58,212</u>	<u>51,934</u>

6. TAXATION

Analysis of the tax charge

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

	Period 1/8/17 to 31/12/18 £	Year Ended 31/7/17 £
Current tax:		
UK corporation tax	363,429	399,216
Under provision in previous year	<u>(817)</u>	<u>-</u>
Total current tax	362,612	399,216
Deferred tax	<u>368</u>	<u>7,032</u>
Tax on profit	<u>362,980</u>	<u>406,248</u>

Reconciliation of total tax charge included in profit and loss

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

	Period 1/8/17 to 31/12/18 £	Year Ended 31/7/17 £
Profit before tax	<u>1,717,945</u>	<u>1,991,887</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.670%)	326,410	391,804
Effects of:		
Expenses not deductible for tax purposes	10,666	2,975
Depreciation in excess of capital allowances	26,353	4,437
Over provision in previous year	<u>(817)</u>	<u>-</u>
Deferred tax movement	<u>368</u>	<u>7,032</u>
Total tax charge	<u>362,980</u>	<u>406,248</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018

7. DIVIDENDS

	Period 1/8/17 to 31/12/18 £	Year Ended 31/7/17 £
Ordinary shares of £1 each		
Interim	<u>797,000</u>	<u>1,040,000</u>

8. TANGIBLE FIXED ASSETS

	Heritable property £	Leasehold improvements £	Investment property £
COST OR VALUATION			
At 1 August 2017	2,072,339	691,763	115,500
Additions	<u>2,260,014</u>	<u>257,991</u>	-
At 31 December 2018	<u>4,332,353</u>	<u>949,754</u>	<u>115,500</u>
DEPRECIATION			
At 1 August 2017	47,635	368,667	-
Charge for period	84,603	48,868	-
Eliminated on disposal	-	-	-
At 31 December 2018	<u>132,238</u>	<u>417,535</u>	-
NET BOOK VALUE			
At 31 December 2018	<u>4,200,115</u>	<u>532,219</u>	<u>115,500</u>
At 31 July 2017	<u>2,024,704</u>	<u>323,096</u>	<u>115,500</u>

	Plant and machinery £	Furniture and fittings £	Motor vehicles £	Totals £
COST OR VALUATION				
At 1 August 2017	704,433	1,398,276	1,670,882	6,653,193
Additions	161,854	195,993	775,503	3,651,355
Disposals	-	-	(390,108)	(390,108)
At 31 December 2018	<u>866,287</u>	<u>1,594,269</u>	<u>2,056,277</u>	<u>9,914,440</u>
DEPRECIATION				
At 1 August 2017	333,554	995,192	661,382	2,406,430
Charge for period	110,272	217,885	272,774	734,402
Eliminated on disposal	-	-	(265,677)	(265,677)
At 31 December 2018	<u>443,826</u>	<u>1,213,077</u>	<u>668,479</u>	<u>2,875,155</u>
NET BOOK VALUE				
At 31 December 2018	<u>422,461</u>	<u>381,192</u>	<u>1,387,798</u>	<u>7,039,285</u>
At 31 July 2017	<u>370,879</u>	<u>403,084</u>	<u>1,009,500</u>	<u>4,246,763</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018

8. TANGIBLE FIXED ASSETS - continued

Included in the valuation of heritable property is heritable land of £417,899 (2017 £417,889) which is not depreciated.

A formal revaluation of heritable property was carried out on 21 July 2016 by Graham and Sibbald, Chartered Surveyors on an existing use basis at £2,035,000. Since that date, there has been a further property purchased costing £2,076,909 and additions to the existing properties. The directors have reviewed the carrying value of the heritable property and are not aware of any material change to this that would require a further formal valuation at the balance sheet date. If the heritable property was sold at this valuation, no tax charge would arise. However, no sales are anticipated in the foreseeable future.

Included in heritable property is property with a fair value of £2,579,417 which forms security against the bank borrowings used to purchase the properties.

The investment properties are held for use under operating leases. The investment properties are valued by the directors at values which represent their opinion of the fair value at the balance sheet date.

Cost or valuation at 31 December 2018 is represented by:

	Heritable property £	Leasehold improvements £	Investment property £
Valuation in 1997	-	-	10,702
Valuation in 2003	-	-	58,800
Valuation in 2005	-	-	10,500
Valuation in 2006	482,598	-	-
Valuation in 2009	17,208	-	(8,684)
Valuation in 2011	(138,377)	-	-
Valuation in 2014	(213,418)	-	-
Valuation in 2016	(4,414)	-	-
Cost	<u>4,188,756</u>	<u>949,754</u>	<u>44,182</u>
	<u>4,332,353</u>	<u>949,754</u>	<u>115,500</u>

	Plant and machinery £	Furniture and fittings £	Motor vehicles £	Totals £
Valuation in 1997	-	-	-	10,702
Valuation in 2003	-	-	-	58,800
Valuation in 2005	-	-	-	10,500
Valuation in 2006	-	-	-	482,598
Valuation in 2009	-	-	-	8,524
Valuation in 2011	-	-	-	(138,377)
Valuation in 2014	-	-	-	(213,418)
Valuation in 2016	-	-	-	(4,414)
Cost	<u>866,287</u>	<u>1,594,269</u>	<u>2,056,277</u>	<u>9,699,525</u>
	<u>866,287</u>	<u>1,594,269</u>	<u>2,056,277</u>	<u>9,914,440</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018

8. TANGIBLE FIXED ASSETS - continued

If heritable properties had not been revalued they would have been included at the following historical cost:

	2018 £	2017 £
Cost	<u>4,193,665</u>	<u>1,928,742</u>
Aggregate depreciation	<u>507,201</u>	<u>446,861</u>

Fixed assets, included in the above, which are held under hire purchase contracts and finance leases are as follows:

	Plant and machinery £	Furniture and fittings £	Motor vehicles £	Totals £
COST OR VALUATION				
At 1 August 2017	97,000	79,460	1,186,514	1,362,974
Additions	-	-	711,000	711,000
Disposals	-	-	(105,657)	(105,657)
Transfer to ownership	-	(74,574)	(105,657)	(180,231)
At 31 December 2018	<u>97,000</u>	<u>4,886</u>	<u>1,686,200</u>	<u>1,788,086</u>
DEPRECIATION				
At 1 August 2017	18,018	49,046	420,605	487,669
Charge for period	20,613	16,885	230,271	267,769
Eliminated on disposal	-	-	(78,725)	(78,725)
Transfer to ownership	-	63,610	79,900	143,510
At 31 December 2018	<u>38,631</u>	<u>129,541</u>	<u>652,051</u>	<u>820,223</u>
NET BOOK VALUE				
At 31 December 2018	<u>58,369</u>	<u>(124,655)</u>	<u>1,034,149</u>	<u>967,863</u>
At 31 July 2017	<u>78,982</u>	<u>30,414</u>	<u>765,909</u>	<u>875,305</u>

9. STOCKS

	2018 £	2017 £
Goods for resale	<u>1,808,443</u>	<u>2,176,651</u>

Stock recognised in cost of sales during the period as an expense was £23,901,486 (2017 £17,552,631).

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Trade debtors	2,122,279	2,739,537
Other debtors	610,205	708,477
Corporation tax recoverable	36,632	-
Prepayments and accrued income	<u>141,780</u>	<u>162,860</u>
	<u>2,910,896</u>	<u>3,610,874</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Bank loans and overdrafts (see note 13)	613,726	270,000
Hire purchase contracts and finance leases (see note 14)	311,891	226,631
Trade creditors	2,887,494	3,874,407
Corporation tax payable	-	399,191
Social security and other taxes	98,126	85,411
VAT	41,690	315,660
Other creditors	5,245	46,720
Directors' current accounts	56,414	53,803
Accruals and deferred income	226,601	272,632
	<u>4,241,187</u>	<u>5,544,455</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018	2017
	£	£
Bank loans (see note 13)	2,518,332	281,250
Hire purchase contracts and finance leases (see note 14)	716,401	499,113
	<u>3,234,733</u>	<u>780,363</u>

13. LOANS

An analysis of the maturity of loans is given below:

	2018	2017
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	362,058	-
Bank loans	251,668	270,000
	<u>613,726</u>	<u>270,000</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	251,668	281,250
Amounts falling due between two and five years:		
Bank loans - 2-5 years	2,266,664	-

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018

14. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts		Finance leases	
	2018	2017	2018	2017
	£	£	£	£
Gross obligations repayable:				
Within one year	333,244	224,894	1,625	25,980
Between one and five years	<u>773,869</u>	<u>511,266</u>	<u>-</u>	<u>9,301</u>
	<u>1,107,113</u>	<u>736,160</u>	<u>1,625</u>	<u>35,281</u>
Finance charges repayable:				
Within one year	22,707	22,098	271	2,145
Between one and five years	<u>57,468</u>	<u>20,931</u>	<u>-</u>	<u>523</u>
	<u>80,175</u>	<u>43,029</u>	<u>271</u>	<u>2,668</u>
Net obligations repayable:				
Within one year	310,537	202,796	1,354	23,835
Between one and five years	<u>716,401</u>	<u>490,335</u>	<u>-</u>	<u>8,778</u>
	<u>1,026,938</u>	<u>693,131</u>	<u>1,354</u>	<u>32,613</u>

	Non-cancellable operating leases	
	2018	2017
	£	£
Within one year	1,457	15,760
Between one and five years	857,330	1,086,508
In more than five years	<u>1,350,668</u>	<u>1,364,843</u>
	<u>2,209,455</u>	<u>2,467,111</u>

Minimum lease payments receivable as follows:-

	Non-cancellable operating leases	
	2018	2017
	£	£
Between one and five years	<u>22,750</u>	<u>29,750</u>
	<u>22,750</u>	<u>29,750</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018

15. SECURED DEBTS

The following secured debts are included within creditors:

	2018 £	2017 £
Bank overdraft	362,058	-
Bank loans	2,770,000	551,250
Hire purchase contracts and finance leases	<u>1,028,292</u>	<u>725,744</u>
	<u>4,160,350</u>	<u>1,276,994</u>

The bank borrowings are secured by a bond and floating charge over all of the company's assets and a standard security over the properties concerned.

Finance lease and hire purchase obligations are secured over the assets to which the contracts relate.

16. PROVISIONS FOR LIABILITIES

	2018 £	2017 £
Deferred tax		
Accelerated capital allowances	122,094	121,382
Revalued property	<u>3,555</u>	<u>3,899</u>
	<u>125,649</u>	<u>125,281</u>

	Deferred tax £
Balance at 1 August 2017	125,281
Accelerated capital allowances	712
Revalued property	<u>(344)</u>
Balance at 31 December 2018	<u>125,649</u>

17. ACCRUALS AND DEFERRED INCOME

	2018 £	2017 £
Deferred government grants	<u>-</u>	<u>3,715</u>

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2018	2017
Number:	Class:	Nominal value:	£	£
315,000	Ordinary	£1	<u>315,000</u>	<u>315,000</u>

The Ordinary shares have full voting rights.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 AUGUST 2017 TO 31 DECEMBER 2018**

19. RESERVES

	Retained earnings £	Non-distributable reserve £	Totals £
At 1 August 2017	2,776,636	589,311	3,365,947
Profit for the period	1,354,965		1,354,965
Dividends	(797,000)		(797,000)
Deferred tax	(344)	344	-
Transfer from revaluation reserve	19,166	(19,166)	-
At 31 December 2018	<u>3,353,423</u>	<u>570,489</u>	<u>3,923,912</u>

The non-distributable reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to a previous increase on the same asset.

20. PENSION COMMITMENTS

The company operates defined contribution pension schemes for the directors and staff of the company. The assets of the schemes are held separately from those of the company in independently administered funds. At the balance sheet date, £12,502 (2017: £nil) was due to be paid. The pension cost for the period is £102,230 (2017 £84,535).

21. CAPITAL COMMITMENTS

At the balance sheet date, the directors had agreed to commit a sum of £250,000 towards the refurbishment of the property purchased during the period.

22. RELATED PARTY DISCLOSURES

The company is controlled by J Marshall Jnr, who is a director of the company.

J Marshall Jnr received £730,100 (2017 £1,040,000) in dividends during the period.

At the balance sheet date, the company owed J Marshall Jnr and J R Marshall, directors of the company, £1,707 (2017 £13,691) and £54,707 (2017 £40,112), respectively. The amounts due are included in other creditors and are interest free, unsecured and have no fixed terms of repayment.

During the period, the company received advances from BBS Pension Fund totalling £nil (2017 £200,000). At 31 December 2018 £nil (2017 £nil) is due in respect of loans received from the fund. Interest charged during the year on loans from the pension scheme amounted to £nil (2017 £nil).

During the period, services of £176,948 (2017 £279,087) were provided by an entity under the control of one of the directors.

Key management personnel consist of the directors. See note 3 for disclosure of directors' remuneration.