

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021
FOR
SMITH BROTHERS STORES LIMITED**

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

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for the year ended 30 September 2021

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SMITH BROTHERS STORES LIMITED

COMPANY INFORMATION
for the year ended 30 September 2021

DIRECTORS: D A Bryson
S R Smith
A D Smith
D C Wildman
M K Denton
M F Heatlie
M J Beasley
C J Smith
J Fretwell (appointed 01/10/21)
A Clements (appointed 01/10/21)

REGISTERED OFFICE: Unit V2
Blaby Industrial Park
Winchester Avenue
Blaby
Leicestershire
LE8 4GZ

REGISTERED NUMBER: 00962846 (England and Wales)

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

STRATEGIC REPORT
for the year ended 30 September 2021

The Directors are pleased to present the strategic report together with the audited financial statements for the successful year ending 30 September 2021.

Introduction

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

REVIEW OF BUSINESS

The underlying results from the year continue to highlight a strong position within the marketplace. Turnover surpassed £140 million for the first time in the business's 120+ history, totalling £140,214,968 which is up 32.8% from the prior year. The margin for the year maintained a healthy level of 30.08%, which during a period of uncertainty shown an impressive profit before Tax of £11,114,361, up from £7,717,574 (2020).

During the year a final dividend relating to the year ending 30th September 2020 of £3,200,000 was paid and an interim dividend of £6,000,000 relating to the year ending 30th September 2021 was paid out. A final dividend of £2,900,000 will be paid within one week of these accounts being signed.

During the year the business opened in Sheffield and separately announced plans to open depots at High Wycombe (November 2021) and Cambridge (January 2022), meaning that Smith Brothers now operates with a branch structure totalling 17 in England, Wales and Scotland. The company remains confident about both the existing and future strategy of the business. Expansion remains an important aspect of the organisational growth when the right opportunities present themselves, with sustainability at the heart of any investment. The Southampton branch relocated to a larger location in the trading year which enable them to achieve record numbers.

We remain a customer focused business with the operation geared towards our three USP's mentioned above, giving both the customers and industry a valued distribution partner. Attention recently, has targeted towards online solutions, helping customers access information and data 24/7. Our online platform is the next stage in developing our service promise to customers, trying to make business efficient and effortless. We also remain committed to increasing both the product portfolio and geographical coverage, our existing operation is never comprised with the objective to provide an unrivalled level of service along with competitive pricing, aspiring to surpass customer expectations.

Notable highlights throughout the year was our inclusion as finalists in multiple awards ceremonies, helping feature departments and projects which has helped the company excel in recent years.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Brexit and Covid remain an important risk/uncertainty with the full extent only just starting to be understood by the industry. Like most companies, we continue to monitor the situation although at this stage it is too early to see the full impact this will have on the company. Senior management remain committed to acting promptly and responsibly with both Brexit & Covid. Keeping the business profitable and redundancy free to date, is testament to our staff and the hard work by all. We approach the next financial year with the same level determination.

SECTION 172(1) STATEMENT

The directors of the Company, as those of all UK companies must act in accordance with a set of general duties. These duties are detailed in Section 172 of the UK companies Act 2006 which is summarised as follows.

A director of a company must act the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long-term
- the interests of the company's employees
- the need to foster the company's business relationships with suppliers, customers and others
- the impact of the company's operations on the community and the environment
- the desirability of the company maintaining a reputation for high standards of business conduct
- the need to act fairly as between shareholders of the company

STRATEGIC REPORT
for the year ended 30 September 2021

It's important to recognise that in a large organisation such as Smith Brothers Stores, the directors fulfil their duties partly through a governance framework that delegates day-to-day decision making to employees of the company.

The following paragraphs summarise how the directors fulfil their duties:

Risk management

As we grow, our business and our risk environment become more complex so therefore it's vital that we effectively identify, evaluate, manage and mitigate the risks we face, and that we continue to evolve our approach to risk management.

Our people

The company is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, clients, investors, communities and society as a whole. People are at the heart of our services. For our business to succeed we need to manage our people's performance, to develop and bring through talent while ensuring we operate as efficiently as possible. We must also ensure we share common values that inform and guide our behaviour so we achieve our goals in the right way.

Business relationships

We need to develop and maintain strong relationships with our customers. We also value all of our suppliers try and ensure they are treated fairly.

Community and environment

The Company's approach is to use our position of strength to create positive change for the people and communities with which we interact. We want to leverage our expertise and enable colleagues to support the communities around us.

FINANCIAL KEY PERFORMANCE INDICATORS

Given the nature of the business, the company Directors believe the only necessary KPI's that give an understanding of the development, performance or position of the business to be: turnover, margin percentage, profit before tax and liquidity which covers debtor days plus feedback from staff and customers.

ON BEHALF OF THE BOARD:

D A Bryson - Director

5 May 2022

REPORT OF THE DIRECTORS
for the year ended 30 September 2021

The directors present their report with the financial statements of the company for the year ended 30 September 2021.

PRINCIPAL ACTIVITY

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

DIVIDENDS

The company paid a final dividend of £3,200,000 for the year ended 30th September 2020 and an interim dividend of £6,000,000 for the year ended 30th September 2021. A Final dividend of £2,900,000 will be paid within one week of these account being signed.

Results

The profit for the year, after taxation, amounted to £8,977,532 (2020- £6,201,062).

Business review

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

DIRECTORS

The directors shown below have held office during the whole of the period from 1 October 2020 to the date of this report.

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

Other changes in directors holding office are as follows:

J Fretwell and A Clements were appointed as directors after 30 September 2021 but prior to the date of this report.

FINANCIAL INSTRUMENTS

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Liquidity risk

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

Credit Risk

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

Brexit and Covid-19

Brexit and Covid remain an important risk/uncertainty with the full extent only just starting to be understood by the industry. Like most companies, we continue to monitor the situation although at this stage it is too early to see the full impact this will have on the company. Senior management remain committed to acting promptly and responsibly with both Brexit & Covid. Keeping the business profitable is testament to our staff and the hard work by all. We approach the next financial year with the same level determination.

REPORT OF THE DIRECTORS
for the year ended 30 September 2021

Qualifying third party indemnity provisions

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

Employee Involvement

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

Disabled Employees

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

STREAMLINED ENERGY AND CARBON REPORTING

UK Greenhouse gas emissions and energy use date for period 1st October 2020 to 30 September 2021:

Energy consumption used to calculate emissions (kWh)

Scope 1 emissions

| | |
|--|------|
| Gas consumption (tonnes CO ₂ e) | 189 |
| Owned transport - vans and cars (tonnes CO ₂ e) | 1665 |

Scope 2 emissions

| | |
|---|-------------|
| Purchased electricity (tonnes CO ₂ e) | 210 |
| Total gross emissions (tonnes CO₂e) | 2065 |

| | |
|---|--------|
| Intensity ratio (tonnes CO ₂ e/£M revenue) | 14.728 |
|---|--------|

Scope 1 emissions

| | |
|---------------------------------------|-----------|
| Gas consumption (kWh) | 1,033,900 |
| Owned transport - vans and cars (kWh) | 7,040,978 |

Scope 2 emissions

| | |
|------------------------------------|------------------|
| Purchased electricity (kWh) | 1,045,120 |
| Total gross emissions (kWh) | 9,119,998 |

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol - Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

Smith Brothers Stores Ltd meets the size criteria for reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO₂e / £M revenue.

Measures taken to improve energy efficiency

In the period covered, SBS have taken delivery a number of electric vehicles. These are either fully electric cars or hybrid cars. There were no diesel company cars were purchased during this period. With our commercials fleet, we purchase the latest vehicles with the latest technologies that has both benefits to the company and the environment.

We continually upgrade our lighting on an ongoing basis with LED lighting which is more energy efficient.

All of our branches have had electric charging points installed. We also ensure that any new branches are fitted with electric charging points. Employees with electric vehicles are incentivised to install a charging point at their home.

**REPORT OF THE DIRECTORS
for the year ended 30 September 2021**

In addition, 3 of our locations have solar panels installed on the roof. There is also a Biomass boiler at Northampton which is energy efficient.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

ON BEHALF OF THE BOARD:

D A Bryson - Director

5 May 2022

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
for the year ended 30 September 2021**

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

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

Opinion

We have audited the financial statements of Smith Brothers Stores Limited (the 'company') for the year ended 30 September 2021 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' 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 financial statements are 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.

Other information

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

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page seven, 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Company and the industry, we identified the principle risks of non-compliance with laws and regulations, and considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principle risks were related to posting inappropriate journal entries, and management bias in accounting estimates.

Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation, and fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, or with unusual descriptions;
- Challenging assumptions made by management in their significant estimates, such as the recoverability of trade debtors and provisions.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment.

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.

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

6 May 2022

**STATEMENT OF COMPREHENSIVE
INCOME**
for the year ended 30 September 2021

| | Notes | 2021 £ | 2020 £ |
|--|-------|---------------------|---------------------|
| TURNOVER | 4 | 140,214,968 | 105,557,042 |
| Cost of sales | | (98,033,382) | (75,706,411) |
| GROSS PROFIT | | 42,181,586 | 29,850,631 |
| Administrative expenses | | (31,507,797) | (23,739,082) |
| | | 10,673,789 | 6,111,549 |
| Other operating income | 5 | 439,811 | 1,603,247 |
| OPERATING PROFIT | 7 | 11,113,600 | 7,714,796 |
| Interest receivable and similar income | | 761 | 2,778 |
| PROFIT BEFORE TAXATION | | 11,114,361 | 7,717,574 |
| Tax on profit | 9 | (2,136,829) | (1,516,512) |
| PROFIT FOR THE FINANCIAL YEAR | | 8,977,532 | 6,201,062 |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 8,977,532 | 6,201,062 |

SMITH BROTHERS STORES LIMITED (REGISTERED NUMBER: 00962846)

BALANCE SHEET
30 September 2021

| | Notes | 2021 £ | 2020 £ |
|--|-------|-------------------------|-------------------------|
| FIXED ASSETS | | | |
| Tangible assets | 11 | 960,884 | 986,418 |
| Investments | 12 | - | 1,000 |
| | | <u>960,884</u> | <u>987,418</u> |
| CURRENT ASSETS | | | |
| Stocks | 13 | 22,352,158 | 14,247,134 |
| Debtors | 14 | 37,843,044 | 29,587,834 |
| Cash at bank | | 13,113,707 | 3,738,720 |
| | | <u>73,308,909</u> | <u>47,573,688</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 15 | (71,154,745) | (45,204,893) |
| NET CURRENT ASSETS | | <u>2,154,164</u> | <u>2,368,795</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 3,115,048 | 3,356,213 |
| PROVISIONS FOR LIABILITIES | 17 | <u>(31,293)</u> | <u>(49,990)</u> |
| NET ASSETS | | <u>3,083,755</u> | <u>3,306,223</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 18 | 2,996 | 3,000 |
| Capital redemption reserve | 19 | 4 | - |
| Retained earnings | 19 | 3,080,755 | 3,303,223 |
| SHAREHOLDERS' FUNDS | | <u>3,083,755</u> | <u>3,306,223</u> |

The financial statements were approved by the Board of Directors and authorised for issue on 5 May 2022 and were signed on its behalf by:

D A Bryson - Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2021

| | Called up share capital £ | Retained earnings £ | Capital redemption reserve £ | Total equity £ |
|-------------------------------------|------------------------------------|---------------------------|---------------------------------------|----------------------|
| Balance at 1 October 2019 | 3,000 | 1,702,161 | - | 1,705,161 |
| Changes in equity | | | | |
| Dividends | - | (4,600,000) | - | (4,600,000) |
| Total comprehensive income | - | 6,201,062 | - | 6,201,062 |
| Balance at 30 September 2020 | <u>3,000</u> | <u>3,303,223</u> | - | <u>3,306,223</u> |
| Changes in equity | | | | |
| Purchase of own shares | (4) | - | 4 | - |
| Dividends | - | (9,200,000) | - | (9,200,000) |
| Total comprehensive income | - | 8,977,532 | - | 8,977,532 |
| Balance at 30 September 2021 | <u>2,996</u> | <u>3,080,755</u> | 4 | <u>3,083,755</u> |

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2021

1. **STATUTORY INFORMATION**

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

2. **ACCOUNTING POLICIES**

Basis of preparing the financial statements

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

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

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

The following principal accounting policies have been applied:

Financial Reporting Standard 102 - reduced disclosure exemptions

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of paragraph 3.17(d);
- the requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirement of paragraph 33.7.

Consolidated financial statements

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

Revenue

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

Sale of goods

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

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

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 30 September 2021

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

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

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

Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

Stocks

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

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

Financial instruments

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

(i) Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances and investments are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

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

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 30 September 2021

2. **ACCOUNTING POLICIES - continued**

Current and deferred taxation

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

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

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

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

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

Foreign currency translation

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

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

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

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

Operating leases: the company as a lessee

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

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

Defined contribution pension plan

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

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

Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 30 September 2021

2. **ACCOUNTING POLICIES - continued**

Finance costs

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

Provisions for liabilities and charges

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

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

Dividends

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

Interest income

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

Grant income

Grant funding receivable, relating to the Coronavirus Job Retention Scheme (CJRS), has been recognised in the year. The grant funding is recognised in the profit and loss account in the period in which the conditions of the grant funding are met. Grant funding is recognised within other operating income.

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

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

i) Trade Debtors

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

ii) Stock

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

iii) Provisions

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

4. **TURNOVER**

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

All turnover is generated in the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 30 September 2021

5. OTHER OPERATING INCOME

| | 2021 | 2020 |
|------------------------|----------------|------------------|
| | £ | £ |
| Commissions receivable | 339,061 | 334,494 |
| Government grants | 100,750 | 1,268,753 |
| | <u>439,811</u> | <u>1,603,247</u> |

6. EMPLOYEES AND DIRECTORS

| | 2021 | 2020 |
|-----------------------|-------------------|-------------------|
| | £ | £ |
| Wages and salaries | 19,834,439 | 15,653,356 |
| Social security costs | 2,299,365 | 1,746,461 |
| Other pension costs | 650,414 | 647,233 |
| | <u>22,784,218</u> | <u>18,047,050</u> |

EMPLOYEES AND DIRECTORS - continued

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

| | 2021 | 2020 |
|-------------|------------|------------|
| Directors | 8 | 8 |
| Other staff | 376 | 344 |
| | <u>384</u> | <u>352</u> |

Directors' remuneration

| | 2021 | 2020 |
|-------------------------|------------------|------------------|
| | £ | £ |
| Directors' remuneration | <u>4,210,805</u> | <u>2,916,521</u> |

Information regarding the highest paid director is as follows:

| | 2021 | 2020 |
|--------------------------------------|----------|----------|
| | £ | £ |
| Emoluments etc | 871,980 | 659,937 |
| Accrued pension at 30 September 2021 | <u>-</u> | <u>-</u> |

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

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

The key management personnel are considered to be the directors.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 30 September 2021

7. OPERATING PROFIT

The operating profit is stated after charging:

| | 2021 | 2020 |
|----------------------------------|---------------|--------------|
| | £ | £ |
| Other operating leases | 3,577,276 | 2,970,005 |
| Depreciation - owned assets | 169,409 | 179,436 |
| Loss on disposal of fixed assets | 34,617 | 856 |
| Exchange differences | <u>13,588</u> | <u>2,229</u> |

8. AUDITORS' REMUNERATION

| | 2021 | 2020 |
|---|--------------|------------|
| | £ | £ |
| Fees payable to the company's auditors and their associates for the audit of the company's financial statements | 8,500 | 6,170 |
| Auditors' remuneration for non audit work | - | 2,000 |
| Taxation compliance services | <u>1,170</u> | <u>855</u> |

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

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

| | 2021 | 2020 |
|---------------------------|------------------|------------------|
| | £ | £ |
| Current tax: | | |
| UK corporation tax | 2,155,526 | 1,472,179 |
| Adjustment to prior years | - | 20,454 |
| Total current tax | <u>2,155,526</u> | <u>1,492,633</u> |
| Deferred tax | <u>(18,697)</u> | <u>23,879</u> |
| Tax on profit | <u>2,136,829</u> | <u>1,516,512</u> |

Reconciliation of total tax charge included in profit and loss

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

| | 2021 | 2020 |
|---|-------------------|------------------|
| | £ | £ |
| Profit before tax | <u>11,114,361</u> | <u>7,717,574</u> |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%) | 2,111,729 | 1,466,339 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 30,537 | 26,428 |
| respect of prior periods (R&D) | | |
| Adjustments to tax charge in respect of prior periods (R&D reclaim 18/19 & 19/20) | - | 20,454 |
| Other adjustments to tax charge in respect of prior periods | <u>(5,437)</u> | <u>3,291</u> |
| Total tax charge | <u>2,136,829</u> | <u>1,516,512</u> |

In the Spring Budget 2021, it was announced that the main rate of corporation tax will increase to 25% from 1 April 2023. This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 30 September 2021

10. DIVIDENDS

| | 2021 | 2020 |
|---|------------------|------------------|
| Final dividend paid for the year ended 2020 | 3,200,000 | 1,600,000 |
| Interim dividend paid | 6,000,000 | 3,000,000 |
| | <u>9,200,000</u> | <u>4,600,000</u> |

A Final Dividend of £2,900,000 re year end 30th September 2021 will be paid within one week of the date of these accounts

11. TANGIBLE FIXED ASSETS

| | Fixtures and fittings £ | Motor vehicles £ | Totals £ |
|------------------------|--|---------------------------------|---------------------|
| COST | | | |
| At 1 October 2020 | 1,651,316 | 168,850 | 1,820,166 |
| Additions | 143,842 | 35,650 | 179,492 |
| Disposals | (123,679) | (9,950) | (133,629) |
| At 30 September 2021 | <u>1,671,479</u> | <u>194,550</u> | <u>1,866,029</u> |
| DEPRECIATION | | | |
| At 1 October 2020 | 716,789 | 116,959 | 833,748 |
| Charge for year | 147,927 | 21,482 | 169,409 |
| Eliminated on disposal | (89,157) | (8,855) | (98,012) |
| At 30 September 2021 | <u>775,559</u> | <u>129,586</u> | <u>905,145</u> |
| NET BOOK VALUE | | | |
| At 30 September 2021 | <u>895,920</u> | <u>64,964</u> | <u>960,884</u> |
| At 30 September 2020 | <u>934,527</u> | <u>51,891</u> | <u>986,418</u> |

12. FIXED ASSET INVESTMENTS

| | Shares in group undertakings £ |
|--|---|
| COST | |
| At 1 October 2020 and 30 September 2021 | <u>545,997</u> |
| PROVISIONS | |
| At 1 October 2020 | 544,997 |
| Provision for year | 1,000 |
| At 30 September 2021 | <u>545,997</u> |
| NET BOOK VALUE | |
| At 30 September 2021 | <u>-</u> |
| At 30 September 2020 | <u>1,000</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 30 September 2021

12. FIXED ASSET INVESTMENTS - continued

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

Apex Tube & Valves Limited

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

Nature of business: Dormant

| Class of shares: | % | 2021 | 2020 |
|--------------------------------|---------|----------|--------------|
| Ordinary | holding | £ | £ |
| | 100.00 | | |
| Aggregate capital and reserves | | <u>-</u> | <u>1,000</u> |

Apex Tube and Valves Limited was dissolved on 9th November 2021.

13. STOCKS

| | 2021 | 2020 |
|--------|-------------------|-------------------|
| | £ | £ |
| Stocks | <u>22,352,158</u> | <u>14,247,134</u> |

An impairment loss of £121,009 (2020 - £575,974 impairment loss) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2021 | 2020 |
|------------------------------------|-------------------|-------------------|
| | £ | £ |
| Trade debtors | 37,110,693 | 28,638,037 |
| Amounts owed by group undertakings | 12,437 | 33,359 |
| Other debtors | 203,070 | 464,423 |
| Prepayments and accrued income | 516,844 | 452,015 |
| | <u>37,843,044</u> | <u>29,587,834</u> |

The impairment loss recognised as an expense for the year in respect of bad and doubtful trade debtors was £958,645 (2020 - £5,069).

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

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2021 | 2020 |
|------------------------------------|-------------------|-------------------|
| | £ | £ |
| Trade creditors | 20,838,139 | 16,102,595 |
| Amounts owed to group undertakings | 37,405,051 | 19,468,722 |
| Tax | 255,526 | 562,179 |
| Social security and other taxes | 2,371,366 | 1,712,737 |
| Other creditors | 10,095,189 | 7,298,485 |
| Accruals and deferred income | 189,474 | 60,175 |
| | <u>71,154,745</u> | <u>45,204,893</u> |

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

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 30 September 2021

16. LEASING AGREEMENTS

At 30 September 2021 the Company had future minimum lease payments under non cancellable operating leases as follows:

| | Land and building | | Other | |
|-------------------------|--------------------------|------------------|--------------|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| | £ | £ | £ | £ |
| Expiry date | | | | |
| Within 1 year | 2,442,351 | 1,790,561 | 1,446,591 | 1,160,661 |
| Between 2 and 5 years | 7,904,414 | 5,574,919 | 2,016,358 | 1,534,777 |
| After more than 5 years | <u>1,428,389</u> | <u>2,058,566</u> | - | - |

17. PROVISIONS FOR LIABILITIES**Deferred tax**

The deferred tax balance is comprised of the following:

| | 2021 | 2020 |
|--------------------------------|----------------------|----------------------|
| | £ | £ |
| Accelerated capital allowances | 155,151 | 153,840 |
| Other timing differences | <u>(123,858)</u> | <u>(103,850)</u> |
| | <u><u>31,293</u></u> | <u><u>49,990</u></u> |

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 2021 | 2020 |
|---------|----------|----------------|---------------------|---------------------|
| | | | £ | £ |
| 2,996 | Ordinary | £1 | <u><u>2,996</u></u> | <u><u>3,000</u></u> |

During the year, 4 Ordinary shares with a nominal value of £1 each were purchased by the company at par and cancelled.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 30 September 2021

19. RESERVES

| | Retained earnings £ | Capital redemption reserve £ | Totals £ |
|------------------------|---------------------------|---------------------------------------|------------------|
| At 1 October 2020 | 3,303,223 | - | 3,303,223 |
| Profit for the year | 8,977,532 | | 8,977,532 |
| Dividends | (9,200,000) | | (9,200,000) |
| Purchase of own shares | - | 4 | 4 |
| At 30 September 2021 | <u>3,080,755</u> | <u>4</u> | <u>3,080,759</u> |

The company's capital and reserves are as follows:

Called up share capital

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

Comprehensive income account

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

20. PENSION COMMITMENTS

During the year the company made pension contributions under a defined contributions scheme amounting to £650,414 (2020 - £647,233).

At 30 September 2021 contributions amounting to £390,548 (2020 - £419,000) were included in other creditors.

21. ULTIMATE PARENT COMPANY

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

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

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

Smith Brothers (Leicester) Limited prepares group financial statements and copies can be obtained from Companies House.

22. RELATED PARTY DISCLOSURES

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

During the year ended 30 September 2021 the company was charged £1,487,617 (2020 - £1,228,606) for rental and purchase of vehicles and equipment from Brightside Securities Ltd. £892,996 (2020 - £403,498) was owed to Brightside Securities Limited at the year end.

During the year the company paid £175,000 (2020 - £304,000) to Elmfield Facility Management Services Limited for consultancy services. At the end of the year a balance of £32,400 (2020 - £69,600) was due to Elmfield Facility Management Services Limited. Mr C Smith, Mrs M Beasley and Mr M Heatlie are directors.

During the year the company made sales of £360 (2020 - £1,010) to Elmfield Development Limited. At the end of the year a balance of £NIL (2020 - £28) was due from Elmfield Development Limited. Elmfield Development Limited is a company in which Mrs M Beasley, Mr C Smith and Mr M Heatlie are also directors.

During the year a provision for impairment has been posted of £1,000 (2020 - £NIL) against the investment in Apex Tube and Valves Limited. Apex Tube and Valves Limited is a company in which Mr M Heatlie, Mr D Bryson, Mr S Smith, Mrs M Beasley and Mr C Smith were directors.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.