

Company Registration No. 08796521 (England and Wales)

LSDM LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

MONDAY



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LSDM LIMITED

COMPANY INFORMATION

Directors	Mr J Jennings Mr J Sowton	(Appointed 16 February 2018) (Appointed 16 February 2018)
Secretary	Grafton Group Secretarial Services Limited	
Company number	08796521	
Registered office	Ground Floor Boundary House Wythall Green Way Wythall Birmingham England B47 6LW	
Auditor	Blinkhorns 27 Mortimer Street London W1T 3BL	

LSDM LIMITED

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LSDM Strategic Report

Fair review of the business

The directors present this strategic report and financial statements for the period ended 31 December 2017.

LSDM Limited continued trading as Leyland SDM and is a Specialist Decorator's Merchants who serve both the professional tradesman and the general public.

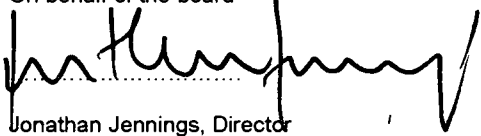
The Company's third period of trading saw an increase in turnover of 5% to a total of £47.8m.

The company opened two further stores in the year in Putney and Clapham. The company now has 21 stores across London.

On the 16th February 2018 the company was purchased by the Grafton Group Plc.

The Grafton Group plc is a publicly quoted distributor of building materials operating in the merchanting markets in the UK, Ireland, the Netherlands and Belgium, in the DIY retailing market in Ireland and in the mortar manufacturing market in Britain.

On behalf of the board

A handwritten signature in black ink, appearing to read 'Jonathan Jennings', written over a horizontal dotted line.

Jonathan Jennings, Director

LSDM LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and financial statements for the Year ended 31 December 2017.

Principal activities

The principal activity of the company continued to be that of a specialist decorators merchants who serve both the professional tradesman and the general public.

Directors

The directors who held office during the Year and up to the date of signature of the financial statements were as follows:

Mr A M Urban	(Resigned 16 February 2018)
Mr A L Urban	(Resigned 16 February 2018)
Mr J Jennings	(Appointed 16 February 2018)
Mr J Sowton	(Appointed 16 February 2018)

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Disabled persons

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

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Auditor

The auditor, Blinkhorns, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

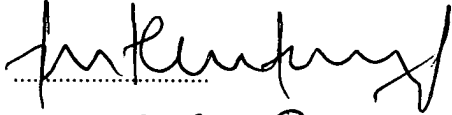
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

LSDM LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

On behalf of the board



Date: 29.8.18

LSDM LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

LSDM LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LSDM LIMITED

Opinion

We have audited the financial statements of LSDM Limited (the 'company') for the Year ended 31 December 2017 which comprise the Profit And Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2017 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 Auditor's 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 Financial Reporting Council'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 included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

LSDM LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF LSDM 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 and the Directors' Report.

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

- adequate accounting records have not been kept, 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 Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of report

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

David Cramer FCA (Senior Statutory Auditor)
for and on behalf of Blinkhorns

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27 Mortimer Street
London
W1T 3BL

LSDM LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2017

		Year ended 31 December 2017 £	Year ended 31 December 2016 £
	Notes		
Turnover	2	47,769,448	45,388,915
Cost of sales		(24,871,169)	(23,699,013)
Gross profit		22,898,279	21,689,902
Administrative expenses		(18,042,720)	(15,491,123)
Other operating income		157,257	361,284
Operating profit	3	5,012,816	6,560,063
Interest receivable and similar income	7	40,115	36,392
Interest payable and similar expenses	8	(195,445)	(206,282)
Fair value gains and losses on investment properties	12	-	371,389
Profit before taxation		4,857,486	6,761,562
Tax on profit	9	(1,139,058)	(1,877,844)
Profit for the financial Year		3,718,428	4,883,718

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

LSDM LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Profit for the Year	3,718,428	4,883,718
Other comprehensive income		
Revaluation of tangible fixed assets	-	919,041
Total comprehensive income for the Year	<u>3,718,428</u>	<u>5,802,759</u>

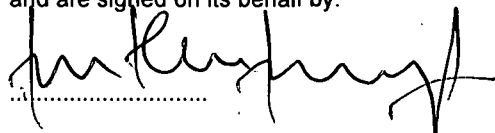
LSDM LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £	2016 £
Fixed assets			
Goodwill	10	18,307,750	19,400,750
Other intangible assets	10	639,246	-
Total intangible assets		18,946,996	19,400,750
Tangible assets	11	1,337,712	21,155,467
Investment properties	12	-	5,210,000
Investments	13	1	-
		20,284,709	45,766,217
Current assets			
Stocks	16	6,466,287	5,297,183
Debtors	17	6,130,421	2,334,839
Cash at bank and in hand		4,155,350	5,806,634
		16,752,058	13,438,656
Creditors: amounts falling due within one year	18	(8,767,492)	(33,017,022)
Net current assets/(liabilities)		7,984,566	(19,578,366)
Total assets less current liabilities		28,269,275	26,187,851
Creditors: amounts falling due after more than one year	19	(6,602,838)	(7,266,306)
Provisions for liabilities	21	(78,093)	(1,051,629)
Net assets		21,588,344	17,869,916
Capital and reserves			
Called up share capital	24	1,000	1,000
Revaluation reserve		-	4,248,688
Profit and loss reserves		21,587,344	13,620,228
Total equity		21,588,344	17,869,916

The financial statements were approved by the board of directors and authorised for issue on 29.8.18 and are signed on its behalf by:



Director
LSDM Limited
Company Registration No. 08796521

LSDM LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2016	1,000	3,329,647	8,736,510	12,067,157
Period ended 31 December 2016:				
Profit for the period	-	-	4,883,718	4,883,718
Other comprehensive income:				
Revaluation of tangible fixed assets	-	919,041	-	919,041
Total comprehensive income for the period	-	919,041	4,883,718	5,802,759
Balance at 31 December 2016	1,000	4,248,688	13,620,228	17,869,916
Period ended 31 December 2017:				
Profit and total comprehensive income for the period	-	-	3,718,428	3,718,428
Transfer of revaluation reserve	-	(4,248,688)	4,248,688	-
Balance at 31 December 2017	1,000	-	21,587,344	21,588,344

LSDM LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash absorbed by operations	27	(19,703,180)		(10,050,002)	
Interest paid		(195,445)		(206,282)	
Income taxes paid		(1,721,561)		(1,877,882)	
Net cash outflow from operating activities		(21,620,186)		(12,134,166)	
Investing activities					
Purchase of intangible assets		(678,686)		-	
Purchase of subsidiaries		(1)		-	
Purchase of tangible fixed assets		(1,612,059)		(760,226)	
Proceeds on disposal of tangible fixed assets		19,950,427		(222,157)	
Proceeds on disposal of investment property		5,581,390		3,022,157	
Proceeds from other investments and loans		(2,649,271)		-	
Interest received		40,115		36,392	
Net cash generated from investing activities		20,631,915		2,076,166	
Financing activities					
Proceeds of new bank loans		-		7,932,972	
Repayment of bank loans		(663,468)		-	
Net cash (used in)/generated from financing activities		(663,468)		7,932,972	
Net decrease in cash and cash equivalents		(1,651,739)		(2,125,028)	
Cash and cash equivalents at beginning of Year		5,806,634		7,931,662	
Cash and cash equivalents at end of Year		4,154,895		5,806,634	
Relating to:					
Cash at bank and in hand		4,155,350		5,806,634	
Bank overdrafts included in creditors payable within one year		(455)		-	

LSDM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

Company information

LSDM Limited is a company limited by shares, domiciled and incorporated in England and Wales. The head office of the company is Unit 24, Fourth Way, Wembley, Middlesex, H19, 0LH. The registered office address is Ground floor, Wythall Green Way, Wythall, Birmingham, B47 6LW.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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

1.2 Going Concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

1.4 Intangible fixed assets - goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

The goodwill has been deemed to have a useful economic life of 20 years. This is based on a reliable estimate from evidence obtained by the entity.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Computer software	10 Years
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LSDM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.6 Tangible fixed assets

With the exception of freehold property, property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses. Freehold property is stated in the balance sheet at revalued amounts, being the fair value on the date of revaluation less any subsequent depreciation and impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which could be determined using fair values at the reporting end date.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity. However, the increase shall be recognised in profit and loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. The decrease of an asset's carrying amount as a result of revaluation shall be recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. If a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings long leasehold	Straight line over the length of the lease
Land and buildings short leasehold	Straight line over the length of the lease
Fixtures, fittings & equipment	10%/25% Straight line
Plant and machinery	10%/25% Straight line
Motor vehicles	25% Straight line

1.7 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

Deferred taxation is provided on these gains at the rate expected to apply when the property is sold.

1.8 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in profit or loss. Transaction costs are expensed to profit or loss as incurred.

1.9 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

LSDM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.10 Stocks

Stock has been valued at the lower of cost and estimated selling price less costs to sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

1.11 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial assets

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

LSDM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.13 Financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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. Amounts payable 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.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

LSDM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.17 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions.

1.19 Income recognition

Income is recognised when goods have been delivered to customers such that risks and rewards of ownership have transferred to them.

2 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2017 £	2016 £
Turnover analysed by class of business		
Sale of goods	47,769,448	45,388,915
	<u>47,769,448</u>	<u>45,388,915</u>
	2017 £	2016 £
Other significant revenue		
Interest income	40,115	36,392
Rental income arising from investment properties	225,624	365,645
	<u>265,739</u>	<u>402,037</u>
	2017 £	2016 £
Turnover analysed by geographical market		
United Kingdom	47,769,448	45,388,915
	<u>47,769,448</u>	<u>45,388,915</u>

LSDM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

3	Operating profit	2017	2016
		£	£
	Operating profit for the period is stated after charging/(crediting):		
	Exchange losses/(gains)	(732)	(39)
	Depreciation of owned tangible fixed assets	187,401	142,240
	Loss on disposal of tangible fixed assets	923,014	222,157
	Amortisation of intangible assets	1,132,440	1,093,000
	Cost of stocks recognised as an expense	24,871,169	23,699,013
		<u> </u>	<u> </u>

4	Auditor's remuneration	2017	2016
		£	£
	Fees payable to the company's auditor and associates:		
	For audit services		
	Audit of the financial statements of the company	54,871	70,000
		<u> </u>	<u> </u>
	For other services		
	Taxation compliance services	22,500	15,000
	All other non-audit services	145,109	27,103
		<u> </u>	<u> </u>
		167,609	42,103
		<u> </u>	<u> </u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the Year was:

	2017	2016
	Number	Number
Management and administration	14	18
Sales	249	234
Directors	2	2
	<u> </u>	<u> </u>
	265	254
	<u> </u>	<u> </u>

LSDM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

5 Employees

(Continued)

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	7,710,898	7,397,098
Social security costs	777,470	739,387
Pension costs	38,239	34,922
	<u>8,526,607</u>	<u>8,171,407</u>

6 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	<u>936,939</u>	<u>667,984</u>

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2017 £	2016 £
Remuneration for qualifying services	<u>501,388</u>	<u>505,116</u>

7 Interest receivable and similar income

	2017 £	2016 £
Interest income		
Interest on bank deposits	17,661	36,392
Other interest income	22,454	-
Total income	<u>40,115</u>	<u>36,392</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>17,661</u>	<u>36,392</u>
--	---------------	---------------

8 Interest payable and similar expenses

	2017 £	2016 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	<u>195,445</u>	<u>206,282</u>

LSDM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

9 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	2,061,862	1,671,898
Deferred tax		
Origination and reversal of timing differences	(922,804)	205,946
Total tax charge	1,139,058	1,877,844

The corporation tax rate was reduced from 20% to 19% from the 1st April 2017.

The actual charge for the Year can be reconciled to the expected charge for the Year based on the profit or loss and the standard rate of tax as follows:

	2017 £	2016 £
Profit before taxation	4,857,486	6,761,562
Expected tax charge based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	935,066	1,352,312
Tax effect of expenses that are not deductible in determining taxable profit	322,319	226,736
Gains not taxable	-	(74,277)
Permanent capital allowances in excess of depreciation	(40,947)	(51,473)
Amortisation on assets not qualifying for tax allowances	231,918	218,600
Deferred tax adjustments in respect of prior years	101,464	-
Chargeable gains	613,506	-
Deferred tax adjustments	(1,024,268)	205,946
Taxation charge for the period	1,139,058	1,877,844

LSDM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

10 Intangible fixed assets

	Goodwill	Computer software	Total
	£	£	£
Cost			
At 1 January 2017	21,860,000	-	21,860,000
Additions	-	678,686	678,686
At 31 December 2017	21,860,000	678,686	22,538,686
Amortisation and impairment			
At 1 January 2017	2,459,250	-	2,459,250
Amortisation charged for the Year	1,093,000	39,440	1,132,440
At 31 December 2017	3,552,250	39,440	3,591,690
Carrying amount			
At 31 December 2017	18,307,750	639,246	18,946,996
At 31 December 2016	19,400,750	-	19,400,750

LSDM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

11 Tangible fixed assets

	Land and buildings Freehold	Land and buildings long leasehold	Land and buildings short leasehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£	£
Cost							
At 1 January 2017	17,260,000	1,825,917	1,982,192	235,300	80,017	72,655	21,456,081
Additions	814,371	-	457,449	139,456	160,288	40,495	1,612,059
Disposals	(18,074,371)	(1,825,917)	(1,401,103)	(103,963)	-	(13,075)	(21,418,429)
At 31 December 2017	-	-	1,038,538	270,793	240,305	100,075	1,649,711
Depreciation and impairment							
At 1 January 2017	-	32,867	167,771	23,624	33,106	40,830	298,198
Depreciation charged in the Year	-	9,738	103,139	38,745	15,595	20,184	187,401
Eliminated in respect of disposals	-	(42,605)	(110,773)	(7,147)	-	(13,075)	(173,600)
At 31 December 2017	-	-	160,137	55,222	48,701	47,939	311,999
Carrying amount							
At 31 December 2017	-	-	878,401	215,571	191,604	52,136	1,337,712
At 31 December 2016	17,260,000	1,793,051	1,814,420	211,940	44,231	31,825	21,155,467

LSDM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

12 Investment property

	2017 £
Fair value	
At 1 January 2017	(5,581,390)
Disposals	(5,581,390)
	<u>-</u>
At 31 December 2017	<u>-</u>

13 Fixed asset investments

	Notes	2017 £	2016 £
Investments in subsidiaries	14	<u>1</u>	<u>-</u>

The company has not designated any financial assets that are not classified as financial assets at fair value through profit or loss.

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 January 2017	-
Additions	1
	<u>1</u>
At 31 December 2017	<u>1</u>
Carrying amount	
At 31 December 2017	<u>1</u>
At 31 December 2016	<u>-</u>

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Leyland SDM Limited	United Kingdom	Dormant	Ordinary	100.00	-

LSDM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

15 Financial instruments

	2017 £	2016 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	5,100,433	1,741,075
Carrying amount of financial liabilities		
Measured at amortised cost	13,206,387	38,670,567

16 Stocks

	2017 £	2016 £
Finished goods and goods for resale	6,466,287	5,297,183

17 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	1,259,673	1,378,448
Other debtors	3,840,760	362,627
Prepayments and accrued income	1,029,988	543,032
	6,130,421	2,284,107
Amounts falling due after more than one year:		
Deferred tax asset (note 22)	-	50,732
Total debtors	6,130,421	2,334,839

Trade debtors disclosed above are measured at amortised cost.

LSDM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

18 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	20	667,121	666,666
Trade creditors		3,642,202	2,342,396
Corporation tax		1,187,874	845,156
Other taxation and social security		976,069	767,605
Other creditors		1,951,954	27,466,559
Accruals and deferred income		342,272	928,640
		<u>8,767,492</u>	<u>33,017,022</u>

19 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	20	<u>6,602,838</u>	<u>7,266,306</u>

20 Loans and overdrafts

		2017 £	2016 £
Bank loans		7,269,504	7,932,972
Bank overdrafts		455	-
		<u>7,269,959</u>	<u>7,932,972</u>
Payable within one year		667,121	666,666
Payable after one year		<u>6,602,838</u>	<u>7,266,306</u>

21 Provisions for liabilities

	Notes	2017 £	2016 £
Deferred tax liabilities	22	<u>78,093</u>	<u>1,051,629</u>

LSDM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

22 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2017 £	Liabilities 2016 £	Assets 2017 £	Assets 2016 £
Balances:				
Accelerated capital allowances	78,093	-	-	50,732
Freehold property	-	849,739	-	-
Investment property	-	201,890	-	-
	<u>78,093</u>	<u>1,051,629</u>	<u>-</u>	<u>50,732</u>
Movements in the Year:				2017 £
Liability at 1 January 2017				1,000,897
Charge to profit or loss				98,974
Transfer on disposal				(1,051,629)
Liability at 31 December 2017				<u>48,242</u>

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Accelerated capital allowances represent the timing differences between the recognition of the tax allowances received that is in excess of depreciation.

Revaluations on freehold and investment property represent the timing differences between the base cost of the asset and its carrying value in the financial statements.

23 Retirement benefit schemes

	2017 £	2016 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>38,239</u>	<u>34,922</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

LSDM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

24 Share capital

	2017 £	2016 £
Ordinary share capital Issued and fully paid 100,000 ordinary shares of 1p each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

25 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 £	2016 £
Within one year	2,431,300	1,173,300
Between two and five years	9,604,400	4,612,400
In over five years	15,595,870	4,726,773
	<u>27,631,570</u>	<u>10,512,473</u>

26 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2017 £
Aggregate compensation	<u>1,586,939</u>

LSDM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

26 Related party transactions

(Continued)

Transactions with related parties

During the year commercial premises held as freehold and leasehold property in the financial statements were transferred to Urban & Urban Properties Limited. The value of these properties on transfer totalled £20.225m.

Urban & Urban Properties Limited is a company whereby a director and shareholder at the balance sheet date, is the majority shareholder. All sales were made at market value on the basis of valuations provided by a firm of chartered surveyors.

During the year residential properties held as investment property in the financial statements were transferred to Mapesbury Road Limited. The value of these properties on transfer totalled £5.21m.

Mapesbury Road Limited is a company whereby a shareholder and employee of LSDM Limited is a majority shareholder. All sales were made at market value on the basis of valuations provided by a firm of chartered surveyors.

During the year LSDM Limited made payments on behalf of Urban & Urban Properties Limited. In addition, the company paid market rent to Urban & Urban Properties Limited on its commercial premises.

At the balance sheet date the company was owed £794,069 by Urban & Urban Properties Limited.

During the year LSDM Limited made payments and collected rents on behalf of Mapesbury Road Limited. At the balance sheet date the company owed Mapesbury Road Limited £108,504.

At the balance sheet date a director owed the company £2.267m. Interest at a commercial rate has been charged on the balance. The balance was repaid to the company on the 16th February 2018.

LSDM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

27 Cash generated from operations

	2017 £	2016 £
Profit for the Year after tax	3,718,428	4,883,718
Adjustments for:		
Taxation charged	1,139,058	1,877,844
Finance costs	195,445	206,282
Investment income	(40,115)	(36,392)
Loss on disposal of tangible fixed assets	923,013	222,157
Fair value gains and losses on foreign exchange contracts and investment properties	-	(371,389)
Amortisation and impairment of intangible assets	1,132,440	1,093,000
Depreciation and impairment of tangible fixed assets	187,401	142,240
Movements in working capital:		
(Increase) in stocks	(1,169,104)	(793,227)
(Increase) in debtors	(1,197,043)	(797,906)
(Decrease) in creditors	(24,592,703)	(16,476,329)
Cash absorbed by operations	<u>(19,703,180)</u>	<u>(10,050,002)</u>