Registered No. 00434724

Rexel UK Limited

Report and Financial Statements

31 December 2019

Directors
E Aponte
M Leek
S Houet
S R R Thierry
K L Sharkey

Secretary
T J Train

Auditors
KPMG LLP
One Snowhill
Snowhill Queensway
Birmingham
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Ground Floor,
Eagle Court 2 Hatchford Brook,
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Strategic report

The directors present their strategic report for the year ended 31 December 2019.

Business review

Rexel UK Limited is a professional business-to-business distribution services company focusing on the markets for electrical materials, safety and personal protection equipment and other MRO (Maintenance, Repairs and Operations) products. These diverse markets continue to offer many opportunities for Rexel to provide innovative solutions tailored to customers' needs.

The Company's key financial and other performance indicators during the year were as follows:

	2019	*2018*	*Change*
	£000	*£000*	*%*
Turnover	644,776	707,247	-9%
Operating profit (excluding exceptional operating expenses)	6,985	14,659	-52%
Exceptional operating expenses	9,138	9,798	-7%
Shareholder's funds	28,044	76,458	-64%
Average number of employees	2,949	3,249	-9%
Stock turnover days (average stock)	69.1 days	60.2 days	15%
Debtors turnover days (average debtors)	66.3 days	65.1 days	2%

In 2019 Rexel UK generated turnover of £644,776,000, a reduction of -9% on 2018. This revenue reduction reflects a combination of factors, including the branch closures linked to the strategic transformation (restructure) project to One Rexel, continued selective reduction of low margin sales activity, and more challenging trading conditions in the UK market as a result of prolonged Brexit uncertainty. The output of selected sales activity and pricing focus increased Gross Profit margins to 26.4% (up from 25.6% in 2019) and this continues to be a focus in 2020 – alongside securing gaining market share going forward.

Exceptional operating expenses of £9,138,000 (2018 - £9,798,000) primarily relate to the ongoing restructuring project, which was materially concluded by the end of 2019. The project has resulted in Rexel and Denmans being used as the primary trading brand names, replacing the previous trading brands of Newey & Eyre, WF Senate and Wilts Electrical Wholesalers amongst others. Rexel is now well positioned to target increasing market share in the UK from an industry-leading platform. Included in exceptional operating expenses is the cost of a transformational restructuring of Rexel's logistics and supply chain offering, including the costs associated with the cessation of operations at the Dagenham regional distribution centre. The remaining exceptional costs relate to property and dilapidation costs.

The Company continues to have a strong balance sheet position with £28M Net Asset valuation – this in-spite of a £33M reduction of Net Asset value associated with the technical assessment of Pension Deficit (£27M technical liability increase) and Goodwill Impairment (£6M asset reduction). The company continues to manage working capital to ensure high customer service levels and good financial performance. As part of a continued Rexel UK strategic drive to improve customer service through increased product availability, stocks turn has increased by 8.9 days due to the ongoing stock enhancement programme, which is aimed at ensuring core stock is always available to customers at their local branch. Trade accounts receivable have been carefully managed and despite continued strong market pressure to extend credit terms, debtors' turnover days have increased by only 1.2 days compared to the previous year.

Whilst the Company participates in a debt securitisation arrangement which, as described in note 18 in the financial statements, results in de-recognition of the majority of the trade receivables arising from its activities, the Company has retained administrative responsibility for the collection of trade receivables. As such the directors continue to consider the trade receivables related measures noted above as key performance indicators for the business.

Strategic report (continued)

Future developments

The Company continues to target development of customer numbers and sales organically – by offering a market leading service platform and customer orientation. Key advances in 2019 include; the enhancement of a digital sales platform effective across the whole of the UK (for both Rexel & Denmans); continued investment in additional sales resource during the year that has resulted in customers having a dedicated sales resource as we move into 2020; further enhancement of stock breadth & depth at branch to enhance customer experience; and further transformation of the logistics network. By the end of 2020 Rexel will have successfully completed a logistics transformation trial, for full national roll-out in 2021. This will build upon the 2019 implementation of (i) the new London and South East service proposition, and (ii) the market leading service national proposition for the site service product offering.

Principal risks and uncertainties

The Company's activities expose it to a number of financial risks including price risk, credit risk, currency risk and liquidity risk. The directors have reviewed the financial risk management objectives and policies of the Company, and where there is a significant exposure to financial risks, the Group policy laid down by the parent undertaking, Rexel SA, is followed.

The Company monitors key economic indicators (GDP, construction activity) and forecasts to enable it to deploy and manage its resources accordingly.

Currency risk

The Company's activities are mainly in Sterling, however there is some limited exposure to the financial risks of changes in foreign currency exchange rates due to the purchase of products priced in Euro or US Dollar. The Company follows the policy set by its parent undertaking, Rexel SA. Spot purchases are used to limit foreign currency risk and exposure.

Credit risk

The Company's principal financial assets are bank balances and cash and other receivables.

As a result of the securitisation of the majority of the Company's debts there is a low credit risk attributable to its trade receivables.

Appropriate trade terms are negotiated with suppliers and customers and management reviews these terms and the relationships with suppliers and customers and manages any exposure on normal trade terms. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The credit risk on liquid funds is limited as there are no significant external debts.

Liquidity risk

The Company prepares regular forecasts of cash flow and liquidity and the requirements for additional funding are managed as part of the overall Rexel SA financing arrangements. In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses short-term debt finance.

Price risk

The Company is exposed to commodity price risk relating to the purchase of cable products with a high quantity of copper. The Company does not hedge its exposure to commodity price risk due to the inferior cost benefit ratio that has been determined after careful consideration. The Company is also exposed to the deflation of cost prices in new technology sectors. In such cases, the Company chooses to manage the inherent risk through careful stock level management and procurement processes.

Strategic report (continued)

Brexit risk

The directors have considered the extent of the risks and uncertainties arising from Brexit. This assessment has taken into account solvency, liquidity, exchange rate volatility and the impact of Brexit on our key customers and suppliers. Exchange rate volatility will continue to be managed via the policy set by its parent undertaking, Rexel SA, as detailed above. The directors have taken into consideration the uncertainty arising from Brexit in company forecasts for future periods. They will continue to closely monitor developments as the post-Brexit landscape of the industry evolves to ensure all potential implications and risks are mitigated.

General economic conditions

The Company's business operations are sensitive to economic conditions and the general economic outlook remains uncertain. The Board regularly reviews financial forecasts to assess the impact of economic conditions on its budget and strategic plans.

COVID-19

The COVID-19 pandemic, being a significant post balance sheet event, has materially amended the outlook for financial year 2020. As at June 2020, a full year turnover reduction of 15% is projected. Based on detailed forecasting, the floor of the reduction is expected to be in the first half of the year, with a slow recovery in the second half, continuing into 2021. Prior to the lock-down measures being imposed in late March, key performance indicators, incl. trading turnover, were in line with budgeted expectations.

The company has been pro-active in its response to the outbreak, using three main tenets of protecting our people, protecting jobs, and protecting the company as guiding principles throughout the COVID-19 outbreak. Several of the measures implemented have had positive, structural impacts upon financial performance, and will continue to be adopted beyond the immediate term to deliver long-term improvements to profit margins.

The company has undertaken numerous actions to ensure and improve the short-term liquidity, including but not limited to, accessing the job retention grant scheme and working capital initiatives. Such measures are in addition to retaining the full support of its Parent company.

The directors will continue to closely monitor developments as the post-pandemic landscape affecting our industry evolves, to ensure that all potential implications and risks continue to be proactively mitigated.

Signed on behalf of the Board,

M Leek

Director

23rd October 2020

Registered No. 00434724

Corporate Governance Report

Following the Companies (Miscellaneous Reporting) Regulations 2018 (SI 2018/860), the Company is required to provide on its website and in its Annual Report, for financial years from 1 January 2019, details of any corporate governance code applied, how the company complies with this code, and an explanation of any deviations from this code.

To ensure good corporate governance, the Company have adopted the Wates Corporate Governance Principles For Large Private Companies published in December 2018 and applies the 6 principles of the Code as set out in this statement.

The information in this statement will be reviewed annually in line with the Company's Annual Report.

Purpose and Leadership

Our Board is fully involved in developing and promoting the Company's purpose with the Executive Team. The Executive Team, led by the Chief Executive Officer, is responsible for recommending to the Board the strategy of the Company, considering the interests of its shareholders, customers, employees and other stakeholders. The Executive Team is then responsible for implementing the strategy and managing the business at an operational level.

Our strategy is customer growth and to ensure and elevate customer satisfaction with products and services, so as to meet financial performance targets set by shareholders and the Company's management, led by our Parent Company. It is also our strategy to operate within an appropriate governance and legislative framework so that the highest standards are always maintained.

We continually look to strengthen our sales opportunities by sourcing quality products and materials, providing 'best in class' customer service, and ensuring that we maintain a capable, motivated workforce. To achieve long term sustainable success, the Company has adopted a net promoter score-card for its customers. This provides management with a clear understanding of how customers view the Company and its products and services. Following feedback from customers, and considering our competitive position in the market, we have invested significantly in our digital webshop, making more products available to our wide customer base.

We take company culture very seriously. Our anonymous Employee Satisfaction Surveys have been key for the Company to understanding the expectations of our staff. In addition, our HR Team seek regular feedback through exit interviews with leavers monitor employee turnover, in order to determine the culture of the Company. We operate to a prescribed ethics guide, which includes a dedicated employee whistle-blowing helpline so that concerns about misconduct and unethical practices can be reported.

Board Composition

As at the date of this statement, the Board is made up of 5 directors, namely Edgar Aponte (CEO), Marcus Leek (CFO), Katharine Sharkey (HR Director), Sebastien Houet and Sebastien Thierry. Each individual director has specialist experience in different subject matters, which helps to support the diversity and quality of decision making and strategy. All directors dedicate the necessary amount of time to fulfil their directors' duties. The directors meet at least 2 times per annum and more frequently on an adhoc basis. Formal agendas, papers and reports are circulated to the directors in advance of each Board meeting for the directors to consider.

The Board delegates certain functions to relevant committees. The Board and the UK CEO receives effective oversight of the Company from the Executive Team, who are responsible for the operational management of the Company's business. The Executive Team is made up of senior managers, certain

Corporate Governance Report (continued)

directors and the Company Secretary. This helps to ensure effective alignment between board strategy and business operations. Additionally, the Company has an established General Counsel office that is also legally bound to provide independent oversight of the balance of power and effective decision making by the Company.

The Board is assisted in the discharge of its risk management function by a Risk Committee which is made up of the General Counsel (Chairman), Head of UK Internal Audit (Secretary), CEO, CFO, VP Finance, and the HR Director. The Risk Committee meet at least twice a year. The Company has a robust risk management process in place where members of the Risk Committee and other nominated relevant management personnel identify, evaluate and manage the principal risks that could impact the Company's performance. The committee ensure that a top down and bottom up risk identification process is followed. Regular meetings are held to ensure that the individual risks and their associated treatment plans are kept up to date.

The Company's CEO and HR Team regularly review strengths and weaknesses of the statutory Board and Executive Team with a view to improving performance of the board as a whole.

Director Responsibilities

All directors receive a detailed director duties letter of advice prior to appointment, explaining their responsibilities as a director. The directors receive business updates and have full liaison with the Company Secretary and internal/external advisers on legal, compliance and corporate governance matters. The Board will also rely on a wide range of information sources to assist decision making including financial reporting, key performance indicators, workforce data, environmental data, stakeholder engagement feedback and consumer data.

Conflicts of interest are governed by the Company's Articles of Association. Furthermore, all directors are encouraged to discuss any potential conflicts of interest with the General Counsel/CEO. In appropriate cases, internal and external legal advice is available.

Under Group Internal Control, all Rexel companies must adhere to the BoRG (book of Rexel Guidelines). These are the key internal controls that have been set out by the Parent Company. The UK Board has ultimate responsibility for the system of internal controls and for reviewing its effectiveness. Each year, under the guidance of the UK Internal Audit team, the Company completes a self-assessment. The self-assessment is completed via the Group's governance, risk and compliance system, which is used by the UK CFO and UK CEO to sign off. Once submitted, Group Internal Control challenge each of the countries' self-assessment scores, requesting further documentation and explanation where applicable. In 2019 the Company was regarded as having very strong compliance with the BoRG.

Opportunity and Risk

The Board has ultimate responsibility for identifying opportunities and managing areas of significant risk. In addition, the Company has a diverse organisational structure with defined levels of responsibility, which promotes innovative and entrepreneurial decision-making within an appropriate risk framework.

The Company has an established framework of internal financial controls, the effectiveness of which is reviewed by the UK Internal Audit Team, the Board and the Executive Team. The Board has overall responsibility in setting out and developing the Company's strategy, including approving revenue, profit and budgets.

Corporate Governance Report (continued)

In advance of a Board meeting, directors will receive a detailed board pack, which includes (amongst other things) financial statements for the year to date, updated forecasts for the current financial year together with any risks in meeting any year-end targets and any mitigating steps needed.

The Company maintains a statutory risk register and an operational risk register. With the help of the Risk Committee, the Company's risks are regularly assessed, and mitigating steps are discussed with the Board and implemented as and when necessary to protect the business.

Appropriate approval and signature processes are in place to ensure that decisions are made at the right level and by the right personnel within the organisation, in order to maximise opportunities and limit risks.

Remuneration

Rexel UK's Parent Company operates a clear remuneration strategy and framework for all UK Board members and senior managers. This includes appropriate oversight of remuneration levels and all benefits.

The Parent Company is listed on the French stock exchange and as a consequence has requisite reporting, corporate governance and disclosure processes in place.

Stakeholder Relationships and Engagement

Engaging with our stakeholders and continually working towards strengthening these relationships is fundamental to the long-term success of the Company. We are focused on maintaining effective working relationships with all stakeholders, including shareholders, customers, suppliers, regulatory authorities and our employees. We align these stakeholder relationships with the Company's purpose. This is evidenced by documents and practices such as the ethics guide, supplier code of conduct, and the whistle-blowing policy.

We have developed strong relationships with both customers and suppliers by adopting contractual agreements and having approval processes in place. Our Modern Slavery statement is available on our website, and we annually review internal measures to ensure that we are doing everything we can to prevent slavery and human trafficking in our supply chain.

Our employees are integral to the success of our business. The Company continues to keep its employees informed on matters concerning them and the business through various channels, including email communications, team meetings and regional events. We encourage staff feedback through surveys and engagement forums. In addition, we carry out a yearly performance and development review with each employee to ensure the development of staff at all levels.

The Board and Executive Team are regularly updated by senior managers in the business on the wider stakeholder feedback and ensure that these views are duly considered in any decision making by the Board.

Directors' report

The directors present their report for the year ended 31 December 2019.

Directors

The directors who served the Company throughout the year and subsequently are as follows:

E Aponte (appointed 3 February 2020)
M Leek
S Houet
S R R Thierry
K L Sharkey (appointed 1 December 2019)

The following directors resigned during the year:-
J C J Hogan (resigned 1 December 2019)
N Wright (resigned 1 December 2019)

The directors participate in share plans of Rexel SA, the parent undertaking, in respect of Long-Term Plans within the Group. As senior employees of Rexel, the share plan of S R R Thierry is specifically disclosed within the financial report and financial statements of Rexel SA.

Results and dividends

The loss for the year after taxation amounted to £14,229,000 (2018 £9,325,000 Loss). The directors do not recommend a final dividend (2018 – £Nil).

Events since the balance sheet date

The impact of the COVID-19 outbreak has been assessed in the Strategic Report and Going Concern consideration.

Health and safety

The Company operates stringent health and safety processes in line with best practice laid down by the parent undertaking, Rexel SA. The Company carries out regular risk assessment and complies with regulator's requirements. The goal is to ensure that sites and branches follow the strictest levels of health and safety standards.

Going concern

The Company's business activities, together with certain factors likely to affect its future development, financial position, performance and working capital are set out in the Business Review section of the Strategic Report on page 2. In addition, the Company's financial risk management policies and its exposures to currency, credit, and price and liquidity risk are discussed in the principal risk and uncertainties section of the Strategic Report on page 3.

The directors have prepared five year forecasts which demonstrate that the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

COVID-19

As noted in the Strategic Report, the COVID-19 outbreak is expected to have an adverse impact on the company's performance in 2020.

Through a series of pro-active measures implemented to mitigate this impact on the company's liquidity, the directors are satisfied that the short-term forecasts, in conjunction with projected recovery and growth over the following five years, indicate that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company continues to have full support of the Parent company in this matter.

Directors' report (continued)

Employment practices

The Company seeks to ensure that in all of its employment practices, including recruitment, promotion, discipline, training, job and career development and working conditions, no employee receives less favourable treatment than any other on the grounds of gender, religion, marital status, ethnic origin or nationality. It is also the Company's policy to encourage the employment, training and career development of disabled persons. If employees become disabled, every effort is made for them to continue in employment and receive appropriate training. In order to safeguard the health and safety of employees, the Company pursues a policy designed to provide secure working conditions and proper training standards at all locations.

Employee involvement

During the year the Company maintained its consultative procedures to enable management and staff to have regular discussions on matters of mutual interest, including health and safety. Staff are also kept well informed about the affairs of the Company through consultative bodies, departmental channels and the Company's briefing letter.

Policy and practice on payment of creditors

It is the policy of the Company to negotiate appropriate settlement terms with its suppliers. Payments to suppliers are then made in accordance with such terms, provided that the suppliers carry out their agreed obligations in a satisfactory manner. The Company's creditor days during the year were 99.6 (2018 – 99.3).

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Signed on behalf of the Board,

M Leek

Director
23rd October 2020

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report

to the members of Rexel UK Limited

Opinion

We have audited the financial statements of Rexel UK Limited ("the company") for the year ended 31 December 2019 which comprise the Income statement, Statement of comprehensive income, statement of financial position, statement of changes in equity and related notes, including the summary of significant accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report continued

to the members of Rexel UK Limited

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Xavier Timmermans (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill, Snow Hill Queensway

Birmingham, B4 6GH

27 October 2020

Income statement

for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Turnover	5	644,776	707,247
Cost of sales		(474,730)	(526,200)
Gross Profit		170,046	181,047
Distribution costs		(13,394)	(17,891)
Administrative expenses including exceptional items:		(158,805)	(158,295)
Administrative expenses before exceptional items		(149,667)	(148,497)
Exceptional operating expenses		(9,138)	(9,798)
Operating (Loss)/ profit		(2,153)	4,861
(Loss)/ profit before interest and taxation	7	(2,153)	4,861
Interest receivable and similar income	10	2,432	2,640
Interest payable and similar expenses	11	(12,775)	(11,942)
Net interest expense		(10,343)	(9,302)
Loss before taxation		(12,496)	(4,441)
Tax on (loss)/profit	12	(1,733)	(4,884)
Loss for the financial year		(14,229)	(9,325)

Statement of comprehensive income

for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Loss for the financial year		(14,229)	(9,325)
Actuarial (loss)/gain on pension scheme	24	(34,636)	27,828
Total recognised (loss)/gain relating to the year		(48,865)	18,503

Statement of financial position

at 31 December 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Intangible assets	13	49,468	55,869
Tangible assets	14	24,951	25,697
Investments	15	77	83
		74,496	81,649
Current assets			
Stocks	16	94,310	92,660
Deferred tax (including £20,304,000 (2018: £21,937,000) due after more than one year)	12	20,304	22,037
Debtors	17	201,335	256,184
Cash at bank and in hand		26,739	14,286
		342,688	385,167
Current liabilities			
Bank Loans and Overdrafts		(480)	(3,041)
Creditors: amounts falling due within one year	18	(265,947)	(290,386)
Net current assets		76,261	91,740
Total assets less current liabilities		150,757	173,389
Creditors: amounts falling due after more than one year	19	(1,522)	(1,548)
Provisions for other liabilities	21	(4,281)	(5,483)
Net assets excluding pension liability		144,954	166,358
Pension liability	24	(116,910)	(89,900)
Net assets		28,044	76,458
Financed by:			
Capital and reserves			
Called up share capital	22	30,000	30,000
Profit and loss account		(1,956)	46,458
Shareholder's funds/Total Equity		28,044	76,458

These statements were approved and authorised by the Board of Directors on 23rd October 2020 and signed on its behalf by:

M Leek

Director

Statement of changes in equity

for the year ended 31 December 2019

	Notes	Called-up share capital £000	Share premium £000	Retained earnings £000	Total Equity £000
At 1 January 2018		349,880	188,434	(481,198)	57,116
Loss for the year				(9,325)	(9,325)
Other comprehensive income	24	-	-	27,828	27,828
Share based payment - movement on reserve	25	-	-	839	839
Capital reduction	22	(319,880)	(188,434)	508,314	-
At 31 December 2018		30,000	-	46,458	76,458
Loss for the year		-	-	(14,229)	(14,229)
Other comprehensive income	24	-	-	(34,636)	(34,636)
Share based payment - movement on reserve	25	-	-	451	451
At 31 December 2019		30,000	-	(1,956)	28,044

Notes to the financial statements

at 31 December 2019

1. General information

Rexel UK Limited is a limited liability company incorporated in England. The Registered Office is Ground Floor, Eagle Court 2 Hatchford Brook, Hatchford Way, Sheldon, Birmingham, England, B26 3RZ.

2. Statement of compliance

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 December 2019.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 102 in these financial statements.

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(b) Going concern

The financial statements are prepared on the going concern basis.

An overview of the business activities of the company, including a review of the key business risks that company faces, is given in the Strategic Report on pages 2 – 4.

The Directors have prepared trading and cash flow forecasts for the 12-month period from the date of approval of these financial statements.

The company contributes the funds raised from a group debtor factoring facility (which is available to the company until 2023) to a group cashpool managed by Rexel SA. The Company uses its own funds deposited in this group cashpool to meet its day to day financing needs. The forecasts prepared indicate that the company may require to drawdown its funds from the group cashpool in order to meet its obligations as they fall due for the period of at least 12 months from the date of these financial statements. The directors have also prepared a reasonable worst-case downside forecast which assumes that a further lock down occurs in the last quarter of 2020. Given the company was able to meaningfully trade during the first lock down period, the forecasts bring sales in these forecast lock down months in line with the levels experienced during April – June 2020. This is then followed by a period of growth returning the company to previously forecasted profitability in September 2021. This reasonable worst-case downside forecast highlights the potential need for a further level of drawdown of the Company's own funds from the group cashpool.

The directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis

Notes to the financial statements

at 31 December 2019

3. Summary of significant accounting policies (continued)

(c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the following exemptions for qualifying entities: -

- Preparation of a cash flow statement
- Disclosure of related party transactions with and between wholly-owned subsidiaries
- Disclosures relating to financial instruments
- Business combinations, including group reconstruction

(d) Group financial statements

These financial statements contain information about Rexel UK Limited as an individual company and do not contain group financial information as the parent of a Group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare group financial statements as it and its subsidiary undertakings are included by full consolidation in the group financial statements of its ultimate parent undertaking, Rexel SA, a company incorporated in France.

(e) Statement of cash flows

As permitted under FRS 102, the Company has not prepared its own Statement of cash flows, as it is a wholly owned subsidiary undertaking of Rexel SA, which prepares publicly available group financial statements.

(f) Intangible Assets

Goodwill

Goodwill arising on acquisitions has been capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful life. Where a reliable estimate of the finite life cannot be made, the life will not exceed 5 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

ii. Software

Software is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method, to allocate the amortisable amount of the software to its residual value over its estimated useful lives of 3 to 5 years.

Software amortisation commences when management is confident that it is fully developed and operational. Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life may have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

Costs associated with maintaining computer software are recognised as an expense as incurred.

(g) Tangible assets

Tangible assets are stated at cost (or deemed cost), net of accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible assets, with the exception of freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Freehold buildings and long leasehold land and buildings	– over 30 to 40 years
Short leasehold buildings	– over the lease period
Plant and machinery	– over 3 to 8 years

Motor vehicles, which are included within plant and machinery, are depreciated over their estimated useful lives down to their residual market value.

Notes to the financial statements

at 31 December 2019

3. Summary of significant accounting policies (continued)

(g) Tangible assets (continued)

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverablc.

(h) Revenue recognition

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding trade discounts, customer rebates, VAT and other sales taxes or duty.

The Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the Company; and (e) when the specific criteria relating to the each of the Company's sales channels have been met.

i. Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the customer, usually on delivery of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. At each balance sheet date, any expenditure incurred but not yet invoiced in relation to customer rebates is estimated and deducted from revenue.

ii. Rendering of services

Revenue from the installation of goods is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

iii. Interest income

Revenue is recognised as interest accrues using the effective interest method.

iv. Dividends

Dividends are recognised when the right to receive payment / payment is established.

(i) Investments

The investments in subsidiary undertakings are included at cost less provision for any impairment.

The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Cost includes the purchase price, including taxes, duties, transport and handling directly attributable to bringing the inventory to its present location and condition. The cost is net of supplier rebates issued.

(k) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Notes to the financial statements

at 31 December 2019

3. Summary of significant accounting policies (continued)

(k) Taxation (continued)

i. Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii. Deferred tax

Deferred taxation is recognised in respect of tax losses brought forward, based on forecasts prepared by management which provide evidence of future taxable profits over the next five years to support the recognition of the asset.

ii. Deferred tax (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(l) Foreign currencies

Foreign currency transactions are converted into sterling at the rates ruling when they occurred. Monetary assets and liabilities in foreign currencies are translated at rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

(m) Leasing and hire purchase commitments

Fixed assets held under finance leases are capitalised and included in tangible fixed assets at fair value. Each asset is depreciated over the shorter of the lease term or its useful life. The obligations related to finance leases, net of finance charges in respect of future periods, are included, as appropriate under creditors due within or creditors due after one year. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

(n) Pensions

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income statement if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits within finance charges. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Notes to the financial statements

at 31 December 2019

3. Summary of significant accounting policies (continued)

(n) Pensions (continued)

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

(o) Securitised debt

The Company participates in a securitisation programme administered by the parent undertaking Rexel SA. The transfer of all eligible debtors to a vehicle (a French "Fond Commun de Titrisation") qualifies for de-recognition under FRS 102 as the Company transfers all risks and rewards inherent to the receivables to the vehicle. See notes 17 and 18 further details.

(p) Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is measured at grant date using a Black Scholes model or binomial model in accordance with the characteristics of the plan.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

(q) Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to that obligation. Provisions are made in respect of the Company's leasehold properties in terms of dilapidations and onerous leases. Provisions are made for dilapidation works on leased premises where there is an obligation under the lease to restore the building to enable it to be re-let and are only made where it is foreseeable that the Company will not renew the lease on the premises. Provisions are not discounted where the effect is not material.

(r) Cash and cash equivalents

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

Notes to the financial statements

at 31 December 2019

3. Summary of significant accounting policies (continued)

(s) 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 receivables, cash and bank balances and investments in commercial paper, 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.

At the end of each reporting period financial assets measured at amortised cost as assed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed

what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, 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. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Notes to the financial statements

at 31 December 2019

3. Summary of significant accounting policies (continued)

(t) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

4. Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:-

- Provisions

  The Company establishes provisions based on reasonable estimates, for possible consequences of dilapidation and onerous commitments in regard to its leasehold properties. The amount of such provisions is based on various factors, such as experience with previous properties and of differing interpretations of dilapidation between the lessor and lessee.

- Goodwill

  The Company establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

- Operating lease commitments

  The Company has entered into leases as a lessee to obtain use of commercial property, plant and equipment. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Notes to the financial statements

at 31 December 2019

4. Judgements and key sources of estimation uncertainty (continued)

- Pensions

  The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds labelled in sterling with at least an average AA rating and having at least £200 million in outstanding issue, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality and those where the yield-to-maturity is more than two standard errors from the regressed yield-to-maturity based on the initial calculation are excluded from the population bonds, on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the United Kingdom. Pension increases are based on expected future inflation rates for the United Kingdom. Further details are given in note 24.

- Taxation

  The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

  Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 12.

Notes to the financial statements

at 31 December 2019

5. Turnover

All turnover is derived from continuing operations. All operating profits and net assets are derived from the United Kingdom

	2019	2018
	£000	£000
Sales of goods	644,776	707,247
	644,776	707,247

6. Expenses and auditor's remuneration

Loss before taxation is stated after charging / (crediting):

	Note	2019	2018
		£000	£000
Inventory recognised as an expense		474,730	526,200
Staff costs	9	96,180	100,720
(Gain)\Loss on disposal of fixed assets		276	(1,346)
Operating lease rental (Net)		18,468	16,359
Exceptional operating expenses (see below)		9,138	9,798
Auditors' remuneration (see below)		250	250

The analysis of auditors' remuneration is as follows:

	2019	2018
	£000	£000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	250	250
Total audit fees	250	250
Non audit fees	-	-
Total fees payable to the Company's auditors	250	250

There are no non-audit fees payable to the Company's auditors at 31 December 2019.

Notes to the financial statements

at 31 December 2019

7. Operating Profit

Exceptional operating expenses

Exceptional operating expenses during 2019 and 2018 predominantly relate to the rationalisation of the branch network and logistics infrastructure within the UK. The management of the Company consider these charges to be one-off and have classed them as exceptional operating expenses. The charge is net of £2,521,000 (2018 £3,209,000) of provisions that were released to the income statement as they were no longer deemed necessary.

	2019	*2018*
	£000	*£000*
Restructuring costs	8,340	4,998
Property costs and dilapidations	618	2,000
Past service cost on defined benefit pension scheme (Note 24)	-	2,800
Litigation costs	180	-
Exceptional operating expenses	9,138	9,798

8. Directors' remuneration

	2019	*2018*
	£000	*£000*
Remuneration	2,225	2,562
Company contribution to money purchase scheme	47	50
	2,272	2,612

The number of directors who:	*No.*	*No.*
- exercised share options	1	1
- were members of money purchase pension schemes	2	2

	2019	*2018*
	£000	*£000*
Highest paid director:		
Remuneration	451	436

During 2019, £636,000 (2018 - £Nil) was payable to directors as compensation for loss of office.

Notes to the financial statements

at 31 December 2019

9. Staff costs

	2019	*2018*
	£000	*£000*
Wages and salaries	84,351	88,263
Social security costs	8,549	9,007
Other pension costs	2,829	2,611
Share-based payment (income)/expense (note 25)	451	839
	96,180	100,720

The average monthly number of employees (including directors) during the year was made up as follows:

	No.	*No.*
Branch	2,030	2,182
Warehouse and distribution	412	519
Administration and central functions	507	548
	2,949	3,249

10. Interest receivable and similar income

	2019	*2018*
	£000	*£000*
Interest receivable from group undertakings	2,397	2,640
Gain on foreign exchange	35	-
Total interest receivable and similar income	2,432	2,640

11. Interest payable and similar charges

	2019	*2018*
	£000	*£000*
Interest payable to group undertakings	(104)	(89)
Bank loans and overdrafts	(938)	(735)
Securitisation finance costs	(6,449)	(6,609)
Financial guarantee fee to group undertaking	(540)	(540)
Net finance expense on pension scheme net liabilities	(4,583)	(3,799)
Loss on foreign exchange	-	(3)
Other interest charges	(161)	(167)
Total interest payable and similar charges	(12,775)	(11,942)

Financial guarantee fee to group undertaking is the cost of a guarantee provided by Hagemeyer Holding NV, a Dutch company, relating to the funding of the pension scheme of Hagemeyer UK Limited, which was incorporated in the pension scheme of the Company in a previous period.

Net finance charges on pension scheme liabilities include the pension fund levy and other costs relating to the pension scheme funded by the Company.

Notes to the financial statements

at 31 December 2019

12. Tax

(a) Tax expense included in profit or loss

	2019 £000	2018 £000
The tax charge is made up as follows:		
Current tax:		
United Kingdom corporation tax at 19% (2018: 19%) for the year	-	-
Adjustment in respect of prior years	-	(5)
	-	(5)
Deferred tax:		
Origination and reversal of timing differences	1,733	4,889
Adjustment in respect of prior years	-	-
Tax charge on loss on ordinary activities	1,733	4,884

(b) Reconciliation of tax charge

The tax assessed for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Loss on ordinary activities before tax	(12,496)	(4,441)
Standard rate of corporation tax in the UK	19%	19%
Loss on ordinary activities multiplied by the standard rate of corporation tax	(2,374)	(844)
Effects of:		
Expenses not deductible for tax purposes	131	166
Goodwill amortisation not deductible	1,241	1,602
Depreciation for the year in excess of (less than) capital allowances	799	(496)
Other timing differences	(1,356)	(316)
Utilisation of tax losses brought forward	(118)	(112)
Losses carried forward	1,677	-
Adjustment in respect of prior years	-	(5)
Reduction of deferred tax asset	1,733	4,889
Total charge for the year	1,733	4,884

Notes to the financial statements

at 31 December 2019

12. Tax (continued)

(c) Deferred tax asset

The full potential deferred tax asset at 31 December 2019 at 17% (2018: 17%) is as follows:

	2019		*2018*	
	Full potential	*Amount recognised*	*Full potential*	*Amount recognised*
	£000	*£000*	*£000*	*£000*
Pension	(19,875)	–	(15,283)	–
Capital allowances in excess of depreciation	(7,052)	–	(5,586)	–
Short-term timing differences	(429)	–	(347)	–
Losses	(34,669)	(20,304)	(34,024)	(22,037)
	(62,025)	(20,304)	(55,240)	(22,037)

The deferred tax asset movement during the year is as follows:

	£000
At 1 January 2019	(22,037)
Profit and loss charge/(credit) in the period	1,733
At 31 December 2019	(20,304)

A deferred tax asset of £20,304,000 (2018 - £22,037,000) has been recognised in respect of tax losses brought forward, based on forecasts prepared by management which provide evidence of future taxable profits over the next five years to support the recognition of the asset.

In addition, there are tax losses and other timing differences of £41,721,000 (2018 -£33,203,000) which have not been recognised at this time. This unrecognised asset would be recovered if there are future taxable profits, over and above the forecast profits, against which the unrecognised asset will reverse and the tax charge in future periods may be reduced accordingly.

Based on forecasts prepared by management, it is expected that deferred tax assets of £nil will reverse in 2020 from the utilisation of brought forward losses.

(d) Factors that may affect future tax charge

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 December 2019 has been calculated based on this rate.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly and increase the deferred tax asset by £2,339,000.

Notes to the financial statements

at 31 December 2019

13. Intangible fixed assets

	Software	*Goodwill*	*Total*
	£000	*£000*	*£000*
Cost:			
At 1 January 2019	17,678	176,226	193,904
Additions	1,195	-	1,195
Disposals	(156)	-	(156)
Transfers	113	-	113
At 31 December 2019	18,830	176,226	195,056
Provision for amortisation and impairment:			
At 1 January 2019	13,835	124,200	138,035
Charge for the year	1,175	6,533	7,708
Disposals	(155)	-	(155)
At 31 December 2019	14,855	130,733	145,588
Net book value:			
At 31 December 2019	3,975	45,493	49,468
At 1 January 2019	3,843	52,026	55,869

The brought forward goodwill reflected above arose on the acquisition of the trade and assets of WF Electrical Limited, Parker Merchanting Limited, Clearlight Electrical Limited, Wilts Wholesale Electrical Company Limited and Denmans Electrical Wholesalers Limited.

Goodwill is being amortised over twenty years which is the best estimate of its useful economic life.

The Directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises.

Notes to the financial statements

at 31 December 2019

14. Tangible assets

	Land and buildings £000	*Plant and machinery £000*	*Total £000*
Cost:			
At 1 January 2019	46,219	13,121	59,340
Additions	2,999	1,985	4,984
Disposals	(4,652)	(1,608)	(6,260)
Transfers	(143)	-	(143)
At 31 December 2019	44,423	13,498	57,921
Depreciation:			
At 1 January 2019	23,768	9,875	33,643
Charge for the year	2,480	762	3,242
Disposals	(2,533)	(1,382)	(3,915)
At 31 December 2019	23,715	9,255	32,970
Net book value:			
At 31 December 2019	20,708	4,243	24,951
At 1 January 2019	22,451	3,246	25,697

The net book value of land and buildings is comprised of:

	2019 £000	*2018 £000*
Freehold	9,277	10,154
Long leasehold	1,011	1,054
Short leasehold	10,420	11,243
	20,708	22,451

Included in the net book value of land and buildings is land which has a net book value of £4,234,000 and is not depreciated (2018 - £4,449,000).

Leased assets

At 31 December 2019, the net carrying amount of land and buildings held under finance leases was £118,000 (2018 – £144,000) and plant and machinery held under finance leases was £Nil (2018 – £Nil).

Notes to the financial statements

at 31 December 2019

15. Investments

	£000
Investment Cost:	
At 1 January 2019	41,612
Disposals	(92)
At 31 December 2019	41,520
Provision:	
At 1 January 2019	41,529
Disposals	(86)
At 31 December 2019	41,443
Net book value:	
At 31 December 2019	77
At 1 January 2019	83

The companies in which the Company holds an interest at the year-end are as follows:

	% Share Holding	*Class of shares*	*Nature of business*
Clearlight Electrical Company Limited*	100	Ordinary	Dormant company
Denmans Electrical Wholesalers Limited	100	Ordinary	Dormant company
J & N Wade Limited*	100	Ordinary	Dormant company
Newey & Eyre Limited*	100	Ordinary	Dormant company
Parker Merchanting Limited	100	Ordinary	Dormant company
Rexel UK Pension Trustees Limited*	100	Ordinary	Dormant company
Warrior (1979) Limited	100	Ordinary	Dormant company
WF Electrical Limited	100	Ordinary	Dormant company

During the year, the following companies in which the company previously held 100% of the shareholding were liquidated. They had carrying values of £6,000, £999, and £7 respectively.

H.A.Wills (Southampton) Limited
Power Industries Limited
Newey & Eyre (C.I.) Limited β

These transactions are part of an ongoing restructuring process in order to simplify the group structure.

For all subsidiaries incorporated in England and Wales, the registered address is the same as Rexel UK Limited as detailed on page 1.

None of these subsidiary companies traded in 2019.
*This is an indirectly held subsidiary
β Incorporated in Guernsey – Anson Court, Le Route des Camps, St Martin, Guernsey, GY4 6AD.
All subsidiaries are incorporated in England and Wales unless otherwise indicated.

Notes to the financial statements

at 31 December 2019

16. Stocks

	2019	*2018*
	£000	*£000*
Goods for resale	94,310	92,660

The difference between purchase price or production cost of stocks and their replacement cost is not material.

17. Debtors

	2019	*2018*
	£000	*£000*
Amounts due within one year:		
Trade debtors (see note 18)	7,641	2,799
Amounts owed by group undertakings	151,963	214,489
Other debtors	35,930	31,200
Prepayments and accrued income	5,801	7,696
	201,335	256,184

18. Creditors: amounts falling due within one year

	2019	*2018*
	£000	*£000*
Amounts due within one year:		
Trade creditors	179,822	190,214
Amounts owed to group undertakings	9,911	9,122
Other taxes and social security costs	3,655	5,425
Securitisation agent (see below)	26,727	34,836
Accruals	45,807	50,766
Obligations under finance leases	25	23
Corporation tax	-	-
	265,947	290,386

On 29 November 2013, the Company entered into a securitisation programme for a term of five years. In November 2016 the term was extended until 2021. Eligible receivables are transferred to a vehicle (a French "Fond Commun de Titrisation") for the nominal amount less a discount composed of a financial cost (0.3% of new sales) and a default discount (0.2% of new sales). This transfer qualifies for de-recognition under FRS 102 as the Company transfers all risks and rewards inherent to the property of the receivables to the vehicle.

The Company is still in charge of the collection of such receivables on behalf of the vehicle and receives £142,000 per year (2018 - £145,000) as a servicing fee and recovery fee.

The Company had securitised its debtors' balance of £137,243,000 (2018 – £151,056,000) as part of a larger securitisation programme driven by the parent undertaking Rexel SA.

At the end of the year receivables that were ineligible for the programme of £7,641,000 (2018 – £2,799,000) remain within debtors and the amount owed to the securitisation agent was £26,727,000 (2018 – £34,836,000).

Notes to the financial statements

at 31 December 2019

19. Creditors: amounts falling due after more than one year

	2019	*2018*
	£000	*£000*
Obligations under finance leases	1,522	1,548

20. Obligations under leases

Finance leases

The Company uses finance leases for land and buildings. These leases have terms of renewal, but no purchase options and escalation clauses. Renewals are at the option of the lessee.

Future minimum lease payments due under finance leases:

	2019	*2018*
	£000	*£000*
Borrowings are repayable as follows:		
In one to two years	184	184
In two to five years	546	553
Over five years	6,813	6,990
Total gross payments	7,543	7,727
Less: finance charges allocated to future periods	(6,021)	(6,179)
Carrying amount of liability	1,522	1,548

The obligations under finance leases above are secured over the assets concerned.

Operating leases

Future minimum lease payments under non-cancellable operating leases are as follows:

	2019	*2018*
	£000	*£000*
Within one year	13,788	14,451
Later than one year and not later than five years	34,894	37,270
Later than five years	24,298	21,760
	72,980	73,481

The above table includes amounts provided within the onerous property lease provision (see note 21).

Notes to the financial statements

at 31 December 2019

21. Provisions for liabilities

	Onerous property leases	*Restructuring provision*	*Dilapidation provision*	*Total*
	£000	*£000*	*£000*	*£000*
At 1 January 2019	2,456	1,415	1,612	5,483
Provision released to profit and loss – operating expenses	(1,491)	-	(1,030)	(2,521)
Provision charged to profit and loss – operating expenses	1,805	7,076	1,337	10,218
Utilisation	(877)	(7,270)	(752)	(8,899)
At 31 December 2019	1,893	1,221	1,167	4,281

Onerous property leases

The Company has entered into a number of non-cancellable leases of buildings which, due to changes in activities, the Company has ceased to use. In cases where the facilities have been sublet and the rental income is lower than the rental expense the net obligation under the lease has been provided for. Where it has not been possible to sublet the facilities the full obligation under the lease has been provided for. The provision is expected to be utilised over the life of the related leases as follows:

	2019	*2018*
	£000	*£000*
Onerous property leases		
Within one year	864	1,017
In one to two years	207	688
In two to five years	822	751
	1,893	2,456

Restructuring provision

Provisions are made predominantly for the ongoing transformation project, which will rationalise the branch network for the Rexel and Denmans brands.

The full amount of these provisions is expected to be utilised within one year.

Dilapidation provision

Provisions are made for dilapidation works on leased premises where there is an obligation under the lease to restore the building to enable it to be re-let. Provisions are only made where it is foreseeable that the Company will not renew the lease on the premises. The provision is expected to be utilised between 2020 and 2024 as the leases terminate.

Notes to the financial statements

at 31 December 2019

22. Share capital

Allotted, issued, called up and fully paid	*No.*	*2019 £000*	*No.*	*2018 £000*
Ordinary shares of £1 each	30,000,000	30,000	30,000,000	30,000

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

23. Capital commitments

The Company has the following capital commitments for future capital expenditure on property plant and equipment, including intangibles, not provided for in the financial statements:

	2019 £000	*2018 £000*
Contracted capital commitments	-	-

The Company had no other off-balance sheet arrangements.

24. Pensions

The Company operates one pension scheme (Rexel UK Pension Scheme), which has a defined benefit section of the scheme providing benefits based on final pensionable earnings and a defined contribution section. The assets of the scheme are held separately from those of the Company in trustee-administered funds. Contributions to the defined benefit section are charged to the profit and loss account on the basis of valuations performed by a professionally qualified independent actuary. The defined contribution section of the scheme is charged as contributions fall due.

Defined benefit section

Rexel UK Pension Scheme

The defined benefit section of the Rexel UK Pension Scheme was closed to new members at 31 December 1999 and on 6 April 2002 future accrual for active members ceased. A full actuarial valuation of the Scheme was carried out at 5 April 2017, the preliminary results of which have been updated to 31 December 2019 by a qualified actuary.

The contributions made to this section of the scheme in the accounting period was £10,171,000 (2018 – £7,750,000).

The contributions to the scheme for the year beginning 1 January 2020 are expected to be £12,600,000

Notes to the financial statements

at 31 December 2019

24. Pensions (continued)

The principle assumptions used by the actuary were (in nominal terms):

	2019	*2018*
Discount rate	2.00%	3.00%
Inflation assumption (RPI)	3.25%	3.50%
Inflation assumption (CPI)	2.25%	2.50%
Rate of increase in salaries	N/A	N/A
Pension increases: RPI up to 3% p.a.	2.50%	2.60%
Pension increases: RPI up to 5% p.a.	3.15%	3.35%
Pension increases: CPI up to 3% p.a.	2.00%	2.15%
Pension increases: CPI up to 5% p.a.	2.25%	2.50%
Pension increases: CPI above 3% and up to 5% p.a.	3.30%	3.35%
Assumed life expectancies on retirement at age 65:		
Retiring today – Males	21.8	21.7
– Females	24.3	24.2
Retiring in 20 years' time – Males	23.6	23.5
– Females	26.1	26.0

	Value at 2019 £000	*Value at 2018 £000*
Equities	12,203	12,709
Fixed Interest	68,105	53,217
Cash	4,519	3,624
Investment Funds	261,160	242,559
Total fair value of assets	345,987	312,109
The actual return on assets over the period was	38,606	(17,426)

The amounts recognised in the balance sheet are as follows:

	2019 £000	*2018 £000*
Present value of funded obligations	(462,897)	(402,009)
Fair value of scheme assets	345,987	312,109
Net pension liability recognised before and after tax	(116,910)	(89,900)
Net liability in balance sheet	(116,910)	(89,900)

Notes to the financial statements

at 31 December 2019

24. Pensions (continued)

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

	2019	*2018*
	£000	*£000*
Benefit obligation at beginning of year	402,009	455,863
Interest cost	11,838	11,219
Actuarial (gain) / loss	63,949	(53,575)
Benefits paid	(14,899)	(14,298)
Past service cost	-	2,800
Benefit obligation at end of year	462,897	402,009

The past service cost represents the cost of equalising benefits for the inequality of Guaranteed Minimum Pensions between men and women. This amendment is as a result of the High Court ruling in October 2018 in the Lloyds Banking Group case.

Reconciliation of opening and closing balances of the fair value of scheme assets:

	2019	*2018*
	£000	*£000*
Fair value of scheme assets at beginning of year	312,109	336,083
Interest income on scheme assets	9,293	8,321
Return on assets, excluding interest income	29,313	(25,747)
Contributions by employers	10,171	7,750
Benefits paid	(14,899)	(14,298)
Fair value of scheme assets at end of year	345,987	312,109

During the year the amount charged to operating profit from the scheme was £Nil (2018 – £Nil)

The amounts recognised in profit or loss:

	2019	*2018*
	£000	*£000*
Net interest on the net defined benefit liability	(2,545)	(2,898)
Past service cost	-	(2,800)
Total expense	(2,545)	(5,698)

Remeasurements of the net defined benefit liability to be shown in OCI:

	2019	*2018*
	£000	*£000*
Actual (gains) / losses on the liabilities	63,949	(53,575)
Return on assets, excluding interest income	(29,313)	25,747
Total remeasurement of the net defined benefit liability to be shown in OCI	34,636	(27,828)

Notes to the financial statements

at 31 December 2019

24. Pensions (continued)

Defined contribution scheme

The scheme also has a defined contribution pension scheme. Company contributions to that scheme in the year amounted to £2,829,000 (2018 – £2,611,000) Pension contributions due to the schemes at 31 December 2019 amounted to £459,000 (2018 – £409,000). The Company pension cost for the year is as stated in note 9 to the financial statements.

25. Share-based payments

As part of its long-term incentive policy, Rexel initiated free share schemes for its top executives and key managers. These free shares allow the Company employees to be eligible to receive free shares (denominated in Euros) in the parent undertaking, Rexel SA.

According to these plans and depending on local regulations, these managers and executives will be eligible to receive Rexel shares two to four years after the granting date, these being restricted during an additional three to four years after the grant date (3+0 / 4+0 schemes respectively) with no restrictions subsequently.

In 2019, Rexel entered into an additional free share plan for its top executives and key managers which allows them to be eligible to receive Rexel shares three years after the grant date (3+0 schemes). Employees are required to remain in employment with the Group until exercise, otherwise the awards lapse.

The issuance of these free shares is subject to the service and performance conditions of the schemes.

The fair value of the free shares granted is recognised as a personnel expense with a corresponding increase in equity (when the plan qualifies as equity-settled) over the period during which the employees become unconditionally entitled to the options (the vesting period). The expense is based on the Company's estimates of the fair value of the acquired equity instruments in accordance with conditions of granting.

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, the share plans during the year:

	2019	*2019*	*2018*	*2018*
	No.	*WAEP*	*No.*	*WAEP*
Outstanding at start of the year	246,559	€11.43	261,220	€11.82
Granted during the year	87,464	€9.27	102,800	€10.68
Exercised during the year	(6,171)	€10.17	(58,404)	€12.59
Lapsed during the year	(93,176)	€11.15	(59,057)	€10.72
Outstanding at end of the year	234,676	€10.77	246,559	€11.43

The fair value of the grant is based upon the Rexel SA share price at the grant date.

The restrictions attached to the dividends until the delivery date of the shares to the beneficiaries have no impact on the fair value, as no dividends have been considered in this period. After taking into account assumptions concerning the turnover of beneficiaries and achievement of performance conditions, the total charge recognised in the year is £451,000 (2018 – charge of £839,000).

Notes to the financial statements

at 31 December 2019

26. Contingent liabilities

Where the Company has assigned property leases before the end of the original lease term, it maintains guarantor obligations towards the landlord until the lease terminates or is assigned on to a new assignee. As these obligations would only crystallise if the assignee were to default on his obligations, it is impossible to quantify accurately the values involved.

27. Related party transactions

See note 8 for disclosure of the directors' remuneration and key management compensation.

The Company is exempt under FRS 102 from disclosing other related party transactions as they are with other companies that are wholly owned within the Group.

28. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Rexel UK Holdings Limited, a company registered and incorporated in England & Wales.

The Company's ultimate parent undertaking and controlling party is Rexel SA, a company registered and incorporated in France.

Copies of the group financial statements of Rexel SA, the parent undertaking of both the largest and smallest group preparing group financial statements which include the Company, can be obtained from 13 Boulevard du Fort de Vaux, 75017 Paris, France.