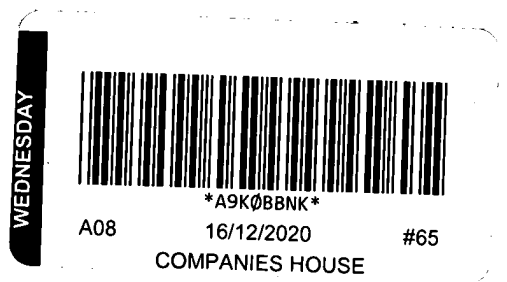


Registered number: 01756362

**CROMWELL GROUP (HOLDINGS) LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2019**



**CROMWELL GROUP (HOLDINGS) LIMITED**

**COMPANY INFORMATION**

<b>Directors</b>	H V Draa III (resigned 2 July 2020) N L Jowsey R K Pott F J Costello Jr (resigned 1 March 2019) J N Clarke (appointed 3 July 2020)
<b>Company secretary</b>	Corporation Service Company (UK) Limited
<b>Registered number</b>	01756362
<b>Registered office</b>	P O Box 14 Chartwell Drive Wigston Leicester LE18 1AT
<b>Independent auditor</b>	Cooper Parry Group Limited Chartered Accountants & Statutory Auditor Sky View Argosy Road East Midlands Airport Castle Donington Derby DE74 2SA

**CROMWELL GROUP (HOLDINGS) LIMITED**

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## CROMWELL GROUP (HOLDINGS) LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

#### Business review

Cromwell Group (Holdings) Limited (the "company") is a trading entity in its own right with one trading branch located in South Africa. The company is also the parent company for the subsidiary undertakings, as listed in note 12 to these financial statements, known as the "Cromwell Group". The company is also a part of the worldwide W.W. Grainger Inc Group.

The principal activity of the company during the year was that of wholesale industrial supplies in South Africa as well as a parent company for the "Cromwell Group".

The company uses a number of key performance indicators to ensure that the business can react to changing market conditions and achieve both long term and short term goals. The key indicators during the year were as follows:

	2019	2018
	£000	£000
Turnover	5,211	5,469
Gross profit (%)	32.2%	36.9%
(Loss)/profit before tax	(14,636)	18,063
Net assets	57,129	56,303

The directors assess these KPI's on a monthly basis to monitor and manage ongoing business requirements. Turnover is generated entirely by the trading branch based in South Africa, despite some local challenges and competition from other overseas tool distributors the directors are pleased that both turnover and gross profitability have remained fairly consistent with the prior year.

Whilst the directors acknowledge that results before tax are a key metric for the business, they also note that exceptional items in the current year have significantly altered the presentation of this year on year. As head of the wider Cromwell Group, the company have borne the costs of a restructuring exercise which resulted not only in additional expenditure but also £9,062,000 (2018: £nil) of exceptional write off costs being incurred in the current year. In addition to this, the company's dividend income from subsidiary undertakings reduced by £11,802,000. The company also carried out a significant rebranding exercise in the year. Whilst all of these factors mean that the company have made a loss in the current year it does leave the directors feeling confident about the company's future trading prospects.

Despite the loss before tax for the year, the balance sheet of the company has further strengthened with net assets of £57,129,000 (2018: £56,303,000) and the company maintains strong cash reserves in order to meet future business requirements. The directors believe that the company are well placed to continue to trade for the foreseeable future.

#### Future developments

The principal activity of the company remains unchanged. The first half of 2020 has remained a strong trading period with performance being in line with expectations, despite the uncertainties arising as a result of the Covid-19.

## **CROMWELL GROUP (HOLDINGS) LIMITED**

### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **Principal risks and uncertainties**

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. Where risks are identified that are not acceptable, action plans are developed to mitigate these with clear allocation of responsibilities and progress towards completion is monitored and reported on. The directors have identified the following key business risks that could have a material impact on the future performance of the company and the controls in place to manage this risk:

#### **Market Risk**

The market in which the company operates remains competitive, the company is well placed in that market being long established and offering a wide range of products whilst delivering a customer focused , cost effective service. The company also benefits and prioritises building strong relationships with key suppliers in order to continue to remain highly competitive in the market.

#### **Economic Risk**

It is expected that the business will need to continue to react to the changing challenges of the UK economy following the UK's decision to leave the EU, there is some uncertainty over the impact that this may have over the company's trading branch in South Africa along with what impact it may have on the trade of the company's subsidiary undertakings.

#### **Financial Risk**

The company has exposure to risks in respect of recoverability of trade debtors, the potential for stock obsolescence and fluctuations in exchange rates. All of these risks are considered to be normal for a company of this nature and management believe they have appropriate procedures in place in order to manage these risks.

#### **Covid-19**

At the date of signing these financial statements, Covid-19 represents both a risk to the business and its people. The company is taking active measures to ensure its people remain safe and healthy. Measures include additional education on cleanliness, self-isolation, social distancing and the ability to work from home or in shift patterns where necessary. There are weekly business continuity meetings to ensure compliance with the measures introduced.

The directors routinely monitor all these risks and uncertainties and appropriate actions are taken to mitigate the risks or the potential outcomes. The relationships with the parent and other group companies continues to be strong and this support further cements the long term viability of the business.

## CROMWELL GROUP (HOLDINGS) LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

#### **Directors' statement of compliance with duty to promote the success of the company**

The directors have acted in the way they consider, in good faith, promotes the success of the company for the benefit of its members as a whole, and in doing so have given regard to (amongst other matters):

#### *Business relationships*

Being established for over 50 years in the industry and being a supplier with a genuine customer focus we know that the need to build strong long standing relationships with both customers and suppliers is fundamental to the success of the company and its longevity. We continually develop strategies to maintain and grow our customer base and further improve relationships with our suppliers.

We believe in a pro-active attitude and an open and honest way of communicating and this has proven to be a solid base for building long term relationships.

With respect to suppliers, the company's policy for the payment of suppliers is to agree to terms of payment in advance in line with normal trade practices and, provided a supplier performs in accordance with the agreement, to abide by such terms.

The directors also recognise the benefit of working closely with other group members registered in other jurisdictions and the need for consistent business practices across the group. The benefit of which is a combined force and global customer satisfaction.

#### *Our people*

The company is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, customers, shareholders, communities and society as a whole. People are at the heart of delivering quality services both internally and externally and we have continuous development programmes in order to keep our people up to date with the most modern processes ensuring that we continue to provide the highest possible service. For our business to continue to succeed we continually manage our peoples performance and develop and bring through talent while ensuring we operate as efficiently as possible.

#### *Health and safety*

The company promotes the Health and safety of all its employees as well as suppliers, customers or visitors whilst on our premises. We are committed as a company to prevent injury and ill health and strive towards continual improvement in all our operations. We consult with our employees, who have an active participation in all our activities that have a safety related context to eliminate hazards and reduce risks.

#### *Disabled employees*

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy where practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees where appropriate.

#### *Employee involvement*

The company encourages and values employee involvement within the business. This is achieved via a number of means including regular meetings between local management and employees to allow a free flow of information and ideas. The company issues regular newsletters which are distributed and generally available via noticeboards and the company intranet. All employees are encouraged to present their suggestions and views and participate directly in the success of the business through various bonus schemes where they can have a direct impact on performance.

**CROMWELL GROUP (HOLDINGS) LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**Directors' statement of compliance with duty to promote the success of the company (continued)**

*Modern Slavery Act 2015*

The products and services delivered by the company are sourced from a broad range of both local and national suppliers. These supplier relationships are sourced and managed by the dedicated internal operational and management team.

The company has defined policies on legislation, child labour, conditions of employment, wages and benefits, health and safety and the environment. These policies have recently been updated to include our policy of anti-slavery and zero tolerance of human trafficking.

The company undertakes all reasonable and practical steps to ensure that standards are being implemented throughout the company's own operational and administrative business, along with that of our suppliers, in addition to local legislation and regulations being complied with. Any instances of non-compliance will be assessed on a case by case basis with appropriate remedial action when required.

The company will only trade with those who fully comply with this policy or are taking verifiable steps towards full compliance. This statement is approved and will be reviewed on a timely basis by the full Board of Directors pursuant to section 54(1) of the Modern Slavery Act 2015.

*Culture and values*

The company recognised the importance of having the right corporate culture. Our long term success depends on achieving our strategic goals the right fair way, so we look after the best interest of our shareholders, customers, people, suppliers and other stakeholders.

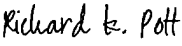
*Shareholders*

The management is committed and openly engaged with our Shareholders through regular Board Meetings and effective dialogue. The shareholders and their representatives are actively engaged in understanding our strategy, culture, people and the performance of our shared objectives for the short, mid and longer terms.

*Political donations*

The company does not make any donations to any political party or organisation.

This report was approved by the board and signed on its behalf.

DocuSigned by:  
  
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Director

Date: 18 July 2020

## CROMWELL GROUP (HOLDINGS) LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

#### Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the company's financial statements 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 to 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.

#### Results and dividends

The loss for the year, after taxation, amounted to £14,621,000 (2018: profit of £17,807,000).

There were no dividends declared or paid in the year (2018: £9,324,000).

#### Directors

The directors who served during the year are noted on the company information page.

#### Post balance sheet events

At the date of signing these financial statements, the directors have considered the effect of the global Covid-19 pandemic on the company with the information available to it, and have assessed that whilst the pandemic may pose risks that could affect the company in many ways, it is difficult to predict the nature and the extent of those effects. The directors are acting fast and following developments and are ensuring that sufficient funding remains available so that the pandemic does not affect the company's ability to continue to trade for the foreseeable future. Further details of the potential impacts have been discussed in note 1.3 to these financial statements.

#### Strategic report

The company has chosen in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the company's Strategic Report information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 Schedule 7 to be contained in the directors' report.

**CROMWELL GROUP (HOLDINGS) LIMITED**

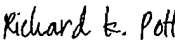
**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**Disclosure of information to auditor**

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board and signed on its behalf.

DocuSigned by:  
  
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**R K Pott**  
Director

Date: 18 July 2020

## **CROMWELL GROUP (HOLDINGS) LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CROMWELL GROUP (HOLDINGS) LIMITED**

#### **Opinion**

We have audited the financial statements of Cromwell Group (Holdings) Limited (the 'company') for the year ended 31 December 2019, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss 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 United Kingdom, 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.

**CROMWELL GROUP (HOLDINGS) LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CROMWELL GROUP (HOLDINGS) LIMITED  
(CONTINUED)**

**Emphasis of matter**

We draw attention to note 1.3 of these financial statements, which describes how the operations and financial position of the company may be impacted by the effects of the global Covid-19 pandemic. Our opinion is not modified in respect of this matter.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

**Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the 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.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

**CROMWELL GROUP (HOLDINGS) LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CROMWELL GROUP (HOLDINGS) LIMITED  
(CONTINUED)**

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement on page 5, 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.

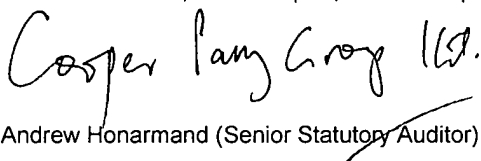
**Auditor's responsibilities for the audit of the financial statements**

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: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the company's members 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 for our audit work, for this report, or for the opinions we have formed.



Andrew Honarmand (Senior Statutory Auditor)

for and on behalf of  
**Cooper Parry Group Limited**

Chartered Accountants  
Statutory Auditor

Sky View  
Argosy Road  
East Midlands Airport  
Castle Donington  
Derby  
DE74 2SA

Date: 21 July 2020

## CROMWELL GROUP (HOLDINGS) LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	As restated 2018 £000
<b>Turnover</b>	1,3	5,211	5,469
Cost of sales		(3,530)	(3,447)
<b>Gross profit</b>		<u>1,681</u>	<u>2,022</u>
Distribution costs		(965)	(734)
Administrative expenses		(24,402)	(14,752)
Other operating income		8,768	10,175
Exceptional items	12	(9,062)	-
<b>Operating loss</b>	4	<u>(23,980)</u>	<u>(3,289)</u>
Income from shares in group undertakings		9,394	21,196
Interest receivable and similar income		6	196
Interest payable and expenses		(56)	(40)
<b>(Loss)/profit before taxation on ordinary activities</b>		<u>(14,636)</u>	<u>18,063</u>
Tax on (loss)/profit on ordinary activities	8	15	(256)
<b>(Loss)/profit for the financial year</b>		<u>(14,621)</u>	<u>17,807</u>
<b>Other comprehensive loss</b>			
Exchange gains/(losses) on retranslation of overseas branch		21	(323)
Remeasurement loss recognised on defined benefit pension scheme	20	(78)	(477)
<b>Total other comprehensive loss</b>		<u>(57)</u>	<u>(800)</u>
<b>Total comprehensive (loss)/income for the year</b>		<u>(14,678)</u>	<u>17,007</u>

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.


The notes on pages 13 to 35 form part of these financial statements.

**CROMWELL GROUP (HOLDINGS) LIMITED**  
**REGISTERED NUMBER: 01756362**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2019**

	Note	2019 £000	As restated 2018 £000
<b>Fixed assets</b>			
Intangible assets	10	26	31
Tangible assets	11	8,391	9,658
Investments	12	6,542	1,961
		<u>14,959</u>	<u>11,650</u>
<b>Current assets</b>			
Stocks	13	1,837	1,750
Debtors	14	175,254	156,237
Cash at bank and in hand		16,248	15,418
		<u>193,339</u>	<u>173,405</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(149,443)</u>	<u>(126,452)</u>
<b>Net current assets</b>		43,896	46,953
<b>Total assets less current liabilities</b>		<u>58,855</u>	<u>58,603</u>
Pension liability	20	(1,726)	(2,300)
<b>Net assets</b>		<u>57,129</u>	<u>56,303</u>
<b>Capital and reserves</b>			
Called up share capital	17	45,514	30,010
Profit and loss account	18	11,615	26,293
<b>Shareholders' funds</b>		<u>57,129</u>	<u>56,303</u>

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

DocuSigned by:  
  
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**R K Pott**  
 Director

Date: 18 July 2020

The notes on pages 13 to 35 form part of these financial statements.

## CROMWELL GROUP (HOLDINGS) LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Profit and loss account	Shareholders' funds
	£000	£000	£000
At 1 January 2019 (as restated)	30,010	26,293	56,303
Loss for the year	-	(14,621)	(14,621)
Exchange gains on retranslation of overseas branch	-	21	21
Remeasurement loss recognised on defined benefit pension scheme	-	(78)	(78)
Issue of share capital	15,504	-	15,504
<b>At 31 December 2019</b>	<b>45,514</b>	<b>11,615</b>	<b>57,129</b>

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Profit and loss account	Shareholders' funds
	£000	£000	£000
At 1 January 2018	10	18,610	18,620
Profit for the year (as restated)	-	17,807	17,807
Exchange losses on retranslation of overseas branch	-	(323)	(323)
Remeasurement loss recognised on defined benefit pension scheme	-	(477)	(477)
Dividends paid	-	(9,324)	(9,324)
Issue of share capital	30,000	-	30,000
<b>At 31 December 2018 (as restated)</b>	<b>30,010</b>	<b>26,293</b>	<b>56,303</b>

The notes on pages 13 to 35 form part of these financial statements.

## CROMWELL GROUP (HOLDINGS) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 1. Accounting policies

##### 1.1 Basis of preparation of financial statements

Cromwell Group (Holdings) Limited (the 'company') is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is disclosed on the company information page.

The financial statements are prepared in Sterling (£), which is the functional currency of the company and are presented in round thousands (£000). The financial statements are for the year ended 31 December 2019 (2018: year ended 31 December 2018).

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard (FRS 102), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of the financial statements in conformity with FRS 102 require the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement, complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The following accounting policies have been consistently applied:

##### 1.2 Disclosure exemptions

The company has taken advantage of the following disclosure exemptions available under the FRS 102 as equivalent disclosures are included in the consolidated financial statements of the ultimate parent company:

- Section 7 'Statement of Cash Flows' - Presentation of a statement of cash flow and related notes and disclosures.
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' - Carrying amounts for the financial instruments measured at amortised cost or cost less impairment, interest income/expense and net gains/losses for financial instruments measured at amortised cost, loan defaults or breaches, and descriptions of hedging relationships.
- Section 33 'Related Party Disclosures' - Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of W.W. Grainger, Inc. These consolidated financial statements are available from its principal address, 100 Grainger Parkway, Lake Forest, Illinois 60045-520.

##### Consolidated financial statements

The company has taken advantage of the exemption in section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. Consequently, these financial statements present the financial position and financial performance of the company as a single entity.

## CROMWELL GROUP (HOLDINGS) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 1. Accounting policies (continued)

##### 1.3 Going concern

The company is in both a net current asset and a net asset position at the year end. The company meets its day to day working capital requirements through financing arrangements with group undertakings alongside cash held in the bank.

Subsequent to the year end, there has been an outbreak of Covid-19 which has developed into a global pandemic. Its severity, the timescales involved and the effect on trade is uncertain. The directors have considered the availability of funding within the wider W.W. Grainger, Inc group. Long term forecasts prepared by the directors show that the company might be impacted by the Covid-19, however it has the ability to continue to operate within the funding facilities available to it, which includes appropriate indications that support will continue from group companies, for a period of at least 12 months from signing of these financial statements. The directors therefore consider it is appropriate for the financial statements to be prepared on a going concern basis.

##### 1.4 Turnover

Turnover is recognised to the extent that the company obtains the right to consideration in exchange for its performance.

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, settlements discounts and volume rebates.

Turnover is recognised when it and the associated costs can be measured reliably, future economic benefits are probable, and the risks and rewards of ownership have been transferred to the customer. Sales of goods are recognised when goods are delivered and legal title has passed and the company has no continuing managerial involvement associated with ownership or effective control of the goods sold.

##### 1.5 Other income

###### *Dividend income*

Dividend income from investments in subsidiaries is recognised when the company's right to receive payment is established.

###### *Interest income*

Interest income is recognised in the statement of comprehensive income and accrued on a time-apportioned basis using the effective interest method.

##### 1.6 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

## CROMWELL GROUP (HOLDINGS) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 1. Accounting policies (continued)

##### 1.7 Intangible fixed assets

Intangible assets purchased other than in a business combination are recognised when future economic benefits are probable, and the cost or value of the asset can be measured reliably.

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their useful lives, as follows:

- Brands - 15 years on cost

Amortisation is revised prospectively for any significant change in useful life or residual value.

##### 1.8 Tangible fixed assets

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

Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful economic lives on the following bases:

- Freehold buildings - 2% per annum on cost
- Fixtures, fittings and equipment - 10% - 33% per annum on cost
- Motor vehicles - 25% per annum on cost

Land is not depreciated.

The assets' residual values, useful economic lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

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

At each balance sheet date, the company reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that any items have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

##### 1.9 Investments

Investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Investments in subsidiaries are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in the statement of comprehensive income.

## CROMWELL GROUP (HOLDINGS) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 1. Accounting policies (continued)

##### 1.10 Finance costs

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

##### 1.11 Pensions

###### *Defined contribution plans*

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals and other creditors as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

###### *Defined benefit plans*

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method and is based on actuarial advice.

###### *Asset/liability*

The net defined benefit asset/liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

###### *Gains/losses*

Gains or losses recognised within finance costs and administrative expenses:

- The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost.
- The cost of plan introductions, benefit charges, settlements and curtailments are recognised as incurred.
- Net interest on the net defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on the plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate used to discount the benefit obligations

Gains or losses recognised in other comprehensive income:

- Actuarial gains and losses.
- The difference between the interest income on the plan assets and the actual return on the plan assets.

##### 1.12 Operating leases

Leases which do not transfer substantially all the risks and rewards of ownership to the company are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

**CROMWELL GROUP (HOLDINGS) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**1. Accounting policies (continued)**

**1.13 Operating leases as a lessor**

Rental income from operating leases is credited to the statement of comprehensive income on a straight-line basis over the term of the relevant lease. Any amounts paid or payable as a lease incentive are recognised as a reduction to income over the term of that lease on a straight-line basis.

**1.14 Foreign currency translation**

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

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income.

**1.15 Provisions**

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within the interest payable and similar expenses.

*Dilapidations*

Provisions for dilapidations are provided on leasehold properties where the terms of the lease require the company to make good any changes made to the property during the period of the lease. Where a dilapidation provision is required the company recognises a provision equal to the expected future cost of reinstating the property to its original state. The carrying liability is compounded by the risk-free rate to provide the required future value.

**1.16 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to sell. Cost is based on the cost of purchase on a first in, first out, basis and includes freight and duty, where applicable.

At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to sell. The impairment loss is recognised immediately in the statement of comprehensive income.

## CROMWELL GROUP (HOLDINGS) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 1. Accounting policies (continued)

##### 1.17 Financial instruments

Non-derivative financial instruments comprise trade and other debtors, trade and other creditors, and amounts due from and amounts due to group undertakings.

Trade and other debtors are recorded at their original amount less provision for impairment.

Trade and other creditors are non-interest bearing and are stated at their nominal value.

Amounts due from and amounts due to group undertakings and recognised initially at fair value which is the transaction value. Subsequent to initial recognition they are held at original value less any impairment losses. The carrying value is assessed at each reporting date to determine whether there is objective evidence that it is impaired. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows.

##### 1.18 Current and deferred tax

The tax charge for the year comprises current and deferred tax.

Current tax is recognised for the amount of corporation tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only 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. Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

##### 1.19 Prior year restatement

The company had previously accounted for its dilapidation provision in line with accounting standards and had chosen to recognise an Asset Retirement Obligation. The directors has re-assessed this choice during the year and feel as though it would give a more true and fair view to recognise their dilapidation position on a provision only basis and remove any asset previously recognised. The amounts previously reported for the year ended 31 December 2018 have therefore been restated for this.

The value of this adjustment is £577,000. The impact of this restatement is a reduction in the profit for the year from £18,384,000 to £17,807,000 and an increase in accruals from £1,462,000 to £2,039,000. This resulted in a reduction to the net assets previously stated from £56,880,000 to £56,303,000.

## CROMWELL GROUP (HOLDINGS) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 2. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of revision and future periods where the revision affects both current and future periods.

#### **Depreciation and residual values**

The directors have reviewed the assets lives and associated residual values of all fixed asset classes, and have concluded that asset lives and residual values are appropriate.

The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

#### **Carrying value of stocks**

The directors review the market value of and demand for its stocks on a periodic basis to ensure stock is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of stocks. The directors use their knowledge of market conditions, historical experiences and estimates of future events to assess future demand for the company's products and achievable selling prices.

#### **Recoverability of trade debtors**

Trade and other debtors are recognised to the extent that they are judged recoverable. The directors' reviews are performed to estimate the level of provision required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain.

The directors make allowances for doubtful debts based on an assessment of the recoverability of debtors. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The directors specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of debtors and the charge in the statement of comprehensive income.

#### **Provisions**

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Whether a present obligation is probable or not requires judgement. The nature and type of risks for these provisions differ and the directors judgement is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not. External advice is sought where appropriate.

#### **Defined benefit pension scheme**

The company has obligations to pay pension benefits to certain employees, and former employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends and are detailed in note 20.

**CROMWELL GROUP (HOLDINGS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019****3. Turnover**

Turnover represents the amount derived from the provision of goods falling within the company's ordinary activities and is stated before any sales taxes.

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

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Africa	5,211	5,469
	<u>5,211</u>	<u>5,469</u>

**4. Operating loss**

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

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Foreign exchange losses/(gains)	333	(144)
Depreciation of tangible fixed assets	628	557
Amortisation of intangible fixed assets	5	6
Profit on disposal of tangible fixed assets	(59)	(10)
Operating lease rentals	3,117	3,215
	<u>3,117</u>	<u>3,215</u>

Of the operating lease rentals, the amounts recharged to subsidiary undertaking are £1,722,000 (2018: £1,848,000).

**5. Auditor's remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the company's auditor for the audit of the company's annual financial statements	35	77
	<u>35</u>	<u>77</u>

## CROMWELL GROUP (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**6. Employees**

The company holds all the UK staff service contracts for employees and directors of its subsidiary undertakings. The average monthly number of employees during the year was made up as follows:

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Directors	3	3
Sales and administration	1,210	1,166
Distribution	288	282
	<u>1,501</u>	<u>1,451</u>

Their aggregate remuneration, including directors, comprised:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	41,896	41,921
Social security costs	3,567	3,671
Pension costs	1,885	2,198
	<u>47,348</u>	<u>47,790</u>

The payroll costs are recharged to the staffs allocated subsidiary undertakings.

The average monthly number of persons (including directors) employed and working directly for the company during the year was:

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Directors	3	3
Sales and administration	262	250
	<u>265</u>	<u>253</u>

## CROMWELL GROUP (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**6. Employees (continued)**

The aggregate remuneration of the staff, including directors, working directly for the company was as follows:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	10,593	10,336
Social security costs	1,007	845
Pension costs	475	794
	<u>12,075</u>	<u>11,975</u>

**7. Directors' remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Directors' emoluments	252	309
Pension costs	16	13
	<u>268</u>	<u>322</u>

During the year retirement benefits were accruing to 3 directors (2018: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £99,000 (2018: £103,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,000 (2018: £5,000).

The directors of the company are also directors of other companies within the "Cromwell Group".

Certain directors consider that 25% of their time is spent on services to Cromwell Group (Holdings) Limited and their remuneration has been disclosed accordingly. The remaining directors' services to the company do not occupy a significant amount of their time. As such, the remaining directors do not consider they have received any remuneration for the incidental services to the company for the current and prior periods.

## CROMWELL GROUP (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

## 8. Taxation

	2019 £000	2018 £000
<b>Corporation tax</b>		
Current tax on profits for the year	116	392
Adjustments in respect of prior periods	(57)	14
<b>Total current tax</b>	<u>59</u>	<u>406</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(48)	(138)
Adjustments in respect of prior periods	(26)	(12)
<b>Total deferred tax</b>	<u>(74)</u>	<u>(150)</u>
<b>Taxation on (loss)/profit on ordinary activities</b>	<u>(15)</u>	<u>256</u>

**Factors affecting tax charge for the year**

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

	2019 £000	2018 £000
(Loss)/profit on ordinary activities before tax	<u>(14,636)</u>	<u>18,063</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(2,781)	3,432
<b>Effects of:</b>		
Income not taxable	(767)	(4,302)
Expenses not deductible for tax purposes	957	256
Capital allowances for year in excess of depreciation	(35)	(144)
Adjustments to tax charge in respect of prior periods	(83)	2
Short term timing differences	33	45
Pensions	(127)	157
Group relief surrendered	507	308
Foreign tax	336	392
Tax losses	1,945	-
Change in accounting policy	-	110
<b>Total tax charge for the year</b>	<u>(15)</u>	<u>256</u>

## CROMWELL GROUP (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

## 8. Taxation (continued)

## Factors that may affect future tax charges

There were no factors that may affect future tax charges.

## 9. Dividends

	2019 £000	2018 £000
<b>Declared and paid during the year:</b>		
Dividend paid	-	9,324
	<u>          </u>	<u>          </u>

## 10. Intangible assets

	Brands £000
<b>Cost</b>	
At 1 January 2019 and 31 December 2019	<u>84</u>
<b>Amortisation</b>	
At 1 January 2019	53
Charge for the year	5
At 31 December 2019	<u>58</u>
<b>Net book value</b>	
At 31 December 2019	<u>26</u>
At 31 December 2018	<u>31</u>

## CROMWELL GROUP (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

## 11. Tangible fixed assets

	Land and buildings £000	Motor vehicles £000	Fixtures, fittings and equipment £000	Total £000
<b>Cost</b>				
At 1 January 2019	9,618	254	5,781	15,653
Additions	107	32	42	181
Disposals	(204)	-	(669)	(873)
Foreign exchange adjustments	-	(2)	(2)	(4)
At 31 December 2019	<u>9,521</u>	<u>284</u>	<u>5,152</u>	<u>14,957</u>
<b>Depreciation</b>				
At 1 January 2019	2,150	98	3,747	5,995
Charge for the year	137	51	440	628
Disposals	(53)	-	-	(53)
Foreign exchange adjustments	-	(2)	(2)	(4)
At 31 December 2019	<u>2,234</u>	<u>147</u>	<u>4,185</u>	<u>6,566</u>
<b>Net book value</b>				
At 31 December 2019	<u>7,287</u>	<u>137</u>	<u>967</u>	<u>8,391</u>
At 31 December 2018	<u>7,468</u>	<u>156</u>	<u>2,034</u>	<u>9,658</u>

The value of land not depreciated is £2,230,000 (2018: £2,230,000).

## CROMWELL GROUP (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

## 12. Investments

	<b>Investments in subsidiary companies £000</b>
<b>Cost</b>	
At 1 January 2019	4,172
Additions	5,357
Disposals	(776)
At 31 December 2019	<u>8,753</u>
<b>Impairment</b>	
At 1 January 2019	<u>2,211</u>
At 31 December 2019	<u>2,211</u>
<b>Net book value</b>	
At 31 December 2019	<u><u>6,542</u></u>
At 31 December 2018	<u><u>1,961</u></u>

**CROMWELL GROUP (HOLDINGS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019****12. Investments (continued)****Subsidiary undertakings**

The following were subsidiary undertakings of the company:

<b>Name</b>	<b>Registered office</b>	<b>Principal activity</b>	<b>Holding</b>
Apex Industrial Limited	(2)	Industrial supplies	100%
Bogle and Timms Limited*	(1)	Dormant	100%
CJ Bent & Son Limited*	(1)	Dormant	100%
Cromwell Bearings and Transmissions Services Limited	(1)	Dormant	100%
Cromwell Czech Republic s.r.o.	Czech Republic	Industrial supplies	100%
Cromwell Group (International) Limited	(1)	Intermediate holding company	100%
Cromwell Indonesia*	Indonesia	Industrial supplies	100%
Cromwell Industrial Supplies Private Limited*	India	Industrial supplies	100%
Cromwell Logistics Limited	(1)	Logistics and distribution	100%
Cromwell Sp z.o.o	Poland	Industrial supplies	100%
Cromwell Tools (Norwich) Limited	(1)	Dormant	100%
Cromwell Tools (Rochester) Limited	(1)	Dormant	100%
Cromwell Tools (Shanghai) Co. Limited	China	Industrial supplies	100%
Cromwell Tools (Thailand) Co. Limited*	Thailand	Industrial supplies	100%
Cromwell Tools Limited	(1)	Sale and distribution of industrial supplies	100%
Cromwell Tools ISDN BHD	Malaysia	Industrial supplies	100%
Cromwell-Siddle (Grimsby) Limited*	(1)	Dormant	100%
East Midlands Property Development Limited	(1)	Property management	100%
Industrial Supply Alliance Limited	(1)	Industrial supplies	100%
Merlin Business Software Limited	(3)	Business software development	100%
Norwell Engineering Limited*	(1)	Dormant	100%
Technical Tooling Limited *	(1)	Dormant	100%
Tooling & Engineering Distributors (TED) Limited*	Ireland	Industrial supplies	100%
Turners (Ironmongers) Limited *	(1)	Dormant	100%

**CROMWELL GROUP (HOLDINGS) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**12. Investments (continued)**

**Subsidiary undertakings (continued)**

\* Denotes shares held indirectly

Registered office:

(1) PO Box 14, 65 Chartwell Drive, Wigston, Leicester, Leicestershire, LE18 1AT

(2) Gorman House, James Street, Righead Industrial Estate, Bellshill, Lanarkshire, ML4 3LU

(3) Chatsworth House, Millennium Way, Chesterfield, S41 8ND.

During the year ended 31 December 2019, the company commenced a reorganisation of its subsidiary undertakings. As a result, certain undertakings were either placed in liquidation or dissolved. In addition other subsidiary undertakings were transferred to new owners within the group. The reorganisation is expected to have a second phase during the year ended 31 December 2020.

The impact of this reorganisation on the company was as follows:

- Certain investments in subsidiaries, and certain balances due to and from subsidiary undertakings were either written off or forgiven. The total impact of this was a cost of £9,062,000 disclosed as exceptional items in the statement of comprehensive income
- The company acquired Merlin Business Software Limited from its subsidiary undertaking Ashlink Software. The acquisition was by way of a dividend in specie from Ashlink Software Limited totaling £5,357,000, also disclosed within income from shares in group undertakings in the statement of comprehensive income.

**13. Stocks**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Finished goods and goods for resale	1,837	1,750

Finished goods recognised as cost of sales in the year amounted to £3,023,000 (2018: £3,345,000).

An impairment cost of £30,000 (2018: £69,000) was recognised in cost of sales due to slow-moving and obsolete stock.

## CROMWELL GROUP (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

## 14. Debtors

	2019 £000	2018 £000
Trade debtors	783	1,387
Amounts owed by group undertakings	169,917	152,380
Other debtors	7	21
Prepayments and accrued income	3,803	1,816
Corporation tax	80	59
Deferred taxation (note 16)	664	574
	<u>175,254</u>	<u>156,237</u>

## 15. Creditors: amounts falling due within one year

	2019 £000	As restated 2018 £000
Bank loans	20,000	18,000
Trade creditors	1,296	1,141
Amounts owed to group undertakings	123,944	101,508
Other taxation and social security	1,713	3,146
Other creditors	741	614
Accruals and deferred income	1,745	2,039
Preference shares (note 17)	4	4
	<u>149,443</u>	<u>126,452</u>

The revolver loan included within bank loans is unsecured and incurs interest based on the 1 month sterling LIBOR rate.

## CROMWELL GROUP (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

## 16. Deferred taxation

	2019 £000	2018 £000
At beginning of year	574	326
Charged to profit and loss	90	150
Charged to other comprehensive income	-	98
<b>At end of year</b>	<u>664</u>	<u>574</u>

The deferred tax asset is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	(89)	(90)
Tax losses carried forward	136	145
Retirement benefit obligation	617	519
	<u>664</u>	<u>574</u>

The deferred tax asset of £136,000 (2018: £145,000) is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits and accelerated capital allowances.

## 17. Share capital

	2019 £000	2018 £000
<b>Ordinary share capital</b>		
<b>Allotted, called up and fully paid</b>		
45,513,790 (2018: 30,009,653) Ordinary shares of £1 each	<u>45,514</u>	<u>30,010</u>
	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Redeemable preference share capital</b>		
<b>Allotted, called up and fully paid</b>		
40,000,000 (2018: 40,000,000) Preference shares of £0.0001 each	<u>4</u>	<u>4</u>

The company has one class of ordinary shares which carry no right to fixed income, and each carry the right to one vote at general meetings of the company.

On 30 April 2019 the company issued 15,503,875 ordinary shares at £1 each.

Subsequent to the year end, on 27 February 2020 the company issued 18,000,000 Ordinary shares at £1 each. On 18 June 2020 the company issued a further 11,000,000 Ordinary shares at £1 each.

## CROMWELL GROUP (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**18. Reserves****Profit and loss account**

This reserve records the cumulative profit and loss net of distributions to owners.

**19. Bank guarantees and contingent liabilities**

The company's bankers hold an omnibus letter of set off between the bank balance of the company and the bank balances of the company's subsidiary undertakings.

**20. Pension commitments****Defined benefit pension scheme**

The company is the statutory employer of a defined benefit pension scheme, "Cromwell Group (Holdings) Limited Pension and Life Assurance Scheme" ("the scheme"), which was closed to new members and in which accrual of benefits has ceased.

The most recent comprehensive actuarial valuation of the plan assets and the present value of the defined benefit obligation was carried out as at 31 August 2016. The following disclosures are based on that valuation updated to 31 December 2019 and adjusted by an independent qualified actuary for the change in financial assumptions.

**Reconciliation of present value of plan liabilities:**

	2019 £000	2018 £000
At the beginning of the year	(15,335)	(16,232)
Interest cost	(410)	(381)
Actuarial (losses)/gains	(1,764)	931
Benefits paid	275	759
Past service cost	-	(412)
<b>At the end of the year</b>	<b>(17,234)</b>	<b>(15,335)</b>

**Reconciliation of present value of plan assets:**

	2019 £000	2018 £000
At the beginning of the year	13,035	14,239
Interest income	358	341
Return on plan assets (excluding net interest on net defined benefit liability)	1,670	(1,506)
Contributions	720	720
Benefits paid	(275)	(759)
<b>At the end of the year</b>	<b>15,508</b>	<b>13,035</b>

## CROMWELL GROUP (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
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## 20. Pension commitments (continued)

Composition of plan assets:

	2019 £000	2018 £000
Diversified Growth Fund	8,081	7,273
Diversified Credit Fund	3,246	2,505
Liability Driven Investments	3,673	3,187
Cash and other	508	70
<b>Total plan assets</b>	<u>15,508</u>	<u>13,035</u>
	<b>2019 £000</b>	<b>2018 £000</b>
Fair value of plan assets	15,508	13,035
Present value of plan liabilities	(17,234)	(15,335)
<b>Net pension scheme liability</b>	<u>(1,726)</u>	<u>(2,300)</u>

The amounts recognised in the statement of comprehensive income are as follows:

	2019 £000	2018 £000
Net interest on the net defined benefit pension liability	(52)	(40)
Past service cost	-	(412)
Movement on deferred tax relating to pension liability	16	98
Return on plan assets	1,670	(1,506)
Actuarial (loss)/gain on defined benefit obligation	(1,764)	931
<b>Total</b>	<u>(130)</u>	<u>(929)</u>

The company expects to contribute £720,000 to its defined benefit pension scheme in 2020.

## CROMWELL GROUP (HOLDINGS) LIMITED

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## 20. Pension commitments (continued)

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2019	2018
	%	%
Discount rate	1.9	2.7
Future pension increases	2.9	3.3
Inflation assumption	3.0	3.4
Mortality rates		
- for a male aged 65 now	21.7	21.9
- at 65 for a male aged 45 now	23.0	23.3
- for a female aged 65 now	23.4	23.8
- at 65 for a female member aged 45 now	24.9	25.4

Cromwell Group (Holdings) Limited operates a defined contribution pension scheme. The cost for the year in respect of this scheme was £1,885,000 (2018: £2,198,000).

Contributions totaling £347,000 (2018: £258,000) were payable to the fund at the year end and are included in accruals.

## CROMWELL GROUP (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**21. Commitments under operating leases****The company as a lessee:**

At 31 December 2019 the company had future minimum lease payments under non-cancelable operating leases as follows:

	2019 £000	2018 £000
Not later than 1 year	2,601	2,890
Later than 1 year and not later than 5 years	5,802	4,734
Later than 5 years	4,278	4,439
	12,681	12,063

**The company as a lessor:**

At 31 December 2019 the company had contracted with tenants under non-cancelable operating leases, for the following future minimum lease payments:

	2019 £000	2018 £000
Not later than 1 year	-	122
	-	122

The operating leases represent leases of surplus business units let to third parties.

**22. Related party transactions**

There were no related party transactions during the year other than with wholly owned group companies. Amounts due from and amounts due to group undertakings are recorded on an arm's length basis. These amounts do not incur any interest unless specifically stated in a loan agreement between the two companies. Amounts due from and amounts due to group undertakings are repayable on demand.

The company has guaranteed the solvency of one of the companies included within the group, whilst that company ceases to operate, the value of this guarantee cannot be quantified at the date of these financial statements.

The company has taken advantage of the exemption in FRS 102 Section 33 and has therefore not disclosed transactions or balances with entities which form part of the group.

**23. Post balance sheet events**

Subsequent to the year end, there has been an outbreak of Covid-19 which has developed into a global pandemic. The directors are continually assessing the impact of this pandemic and are making use of the government schemes available to the company. Whilst there remains a high level of uncertainty about the extent and the timeframe of the virus on the global economy, they believe that the company is positioned to handle any downturn that may occur as a result of this.

**CROMWELL GROUP (HOLDINGS) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**24. Ultimate parent undertaking and controlling party**

The company is a wholly-owned subsidiary of W.W. Grainger, Inc. which is considered by the directors to be the ultimate parent company. W.W. Grainger, Inc. is a company registered in the United States and its principal address is 100 Grainger Parkway, Lake Forest, Illinois 60045-520.

The parent undertaking for the largest and smallest group for which consolidated accounts are prepared is W.W. Grainger, Inc. Consolidated accounts in respect of the group are available from the W.W. Grainger Inc website at [www.grainger.com](http://www.grainger.com).