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ANNUAL REPORT 2016
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Chairman's Statement

Vision

OUR STRATEGY IS BUILT ON THE KEY STRENGTHS OF OUR BUSINESS: OUR GREAT BELIEF IN THE STRENGTH OF INDEPENDENTS, GREAT SERVICE AND STRONG VALUES. WE RECOGNISE HOW IMPORTANT IT IS TO PROVIDE A TRADING PLATFORM THAT BRINGS TOGETHER ALL THE MAJOR INDEPENDENT BUILDERS, TIMBER, PLUMBING, HEATING AND HARDWARE MERCHANTS, SO THAT THEY GET THE ECONOMIES OF SCALE AND FINANCIAL AND REBATE BENEFITS FROM INVOICE CLEARING AND THAT PROVIDE OUR SUPPLIERS WITH A VERY COST EFFECTIVE ROUTE TO THE INDEPENDENT MARKET SECTOR.

FINANCIAL RESULTS

The UK Building Supplies sector has been very resilient in the last year and our performance reflects this, with the NMBS transactions growing to a record high of £1.53Bn which is a 9.8% increase on the previous year. Our market continues to experience price inflation and price competition, largely attributed to the fall in the value of sterling and the increased desire by the larger National PLC companies to take back market share. In these conditions it is clear that NMBS and its members must continue to work together and adapt to stay ahead.

Discounts and rebates receivable have increased in line with transactions, with the average percentage of discount and rebate received remaining reasonably consistent at 4.32% compared to 4.33% in 2015. The discounts and rebates allowable to members have increased in value terms by £6m and have shown a slight increase to 4.18% compared to 4.16% in 2015.

I am also very pleased to report that Administration expenses have reduced in the year by £252K, a great performance and which was part of our stated objective in 2016, to steadily drive more operating efficiencies and increase marketing and other income to support our activities across the business. This result is all the more pleasing, when you consider that this includes the full year impact of NMBS increasing the number of employees to support the much enlarged organisation and our commitment to giving an even better service to both our members and suppliers.

We have also been able to continue to strengthen our balance sheet with us declaring a retained surplus of £832k for the financial year which is part of a planned activity by the board over the next three to five years.

During the year we continued to develop our own Captive Credit Insurance Offer to our members, which now means that we can offer more credit than ever before, subject to certain qualifying criteria. This helps to not only allow our members to maximise their throughput and rebate gains by invoicing through NMBS, but also helps to drive more sales for our suppliers with our members.

PEOPLE

Chris Hayward our MD leads a highly talented and experienced management team and we have a very experienced management board which includes eight elected members from the membership. During the year we appointed a new executive director to the board, Andy Hextall who joins Chris and Julie Langford our FD to strengthen the executive team. The commitment, skills and customer service standards set by our board and executive team and their colleagues at head office make all the difference to our performance and I am very happy to thank them all for a job well done.

OUTLOOK

The UK market in which we operate will remain competitive. The recent forecasts from the Construction Products Association show a flat to low growth rate over the next couple of years and we can reasonably predict further price inflation and ongoing price competition for our merchant members. However, we have a business that is well-placed to navigate this tough trading climate and we still believe that there remain significant opportunities to grow our business and accelerate our strategy over the next few years.

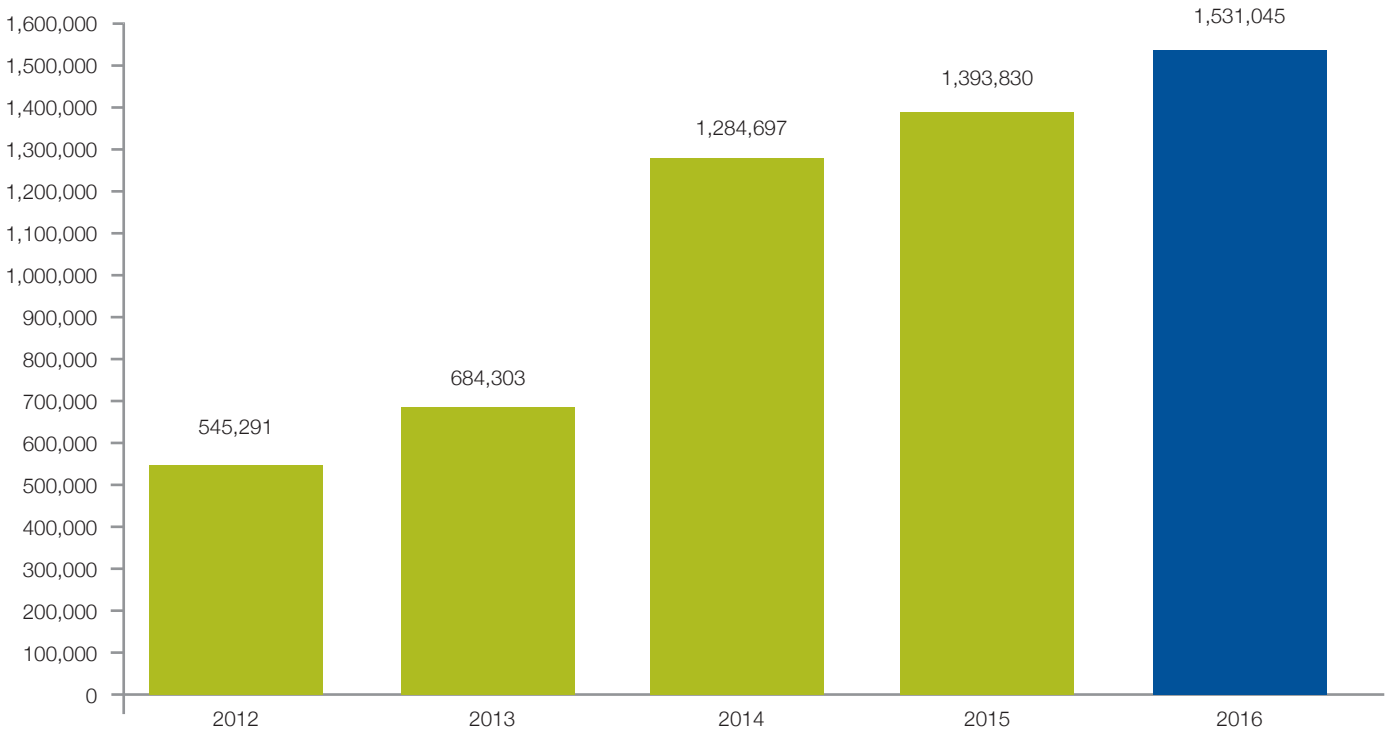
SUMMARY

In summary, we would like to thank all our members and suppliers for their tremendous support in 2016 and look forward to another successful year. Our plan in 2017 is to continue to keep things simple by putting our members at the heart of everything we do and every decision we make starts at that point. So please give us your feedback at every opportunity and let us know what you are thinking and how we can help.

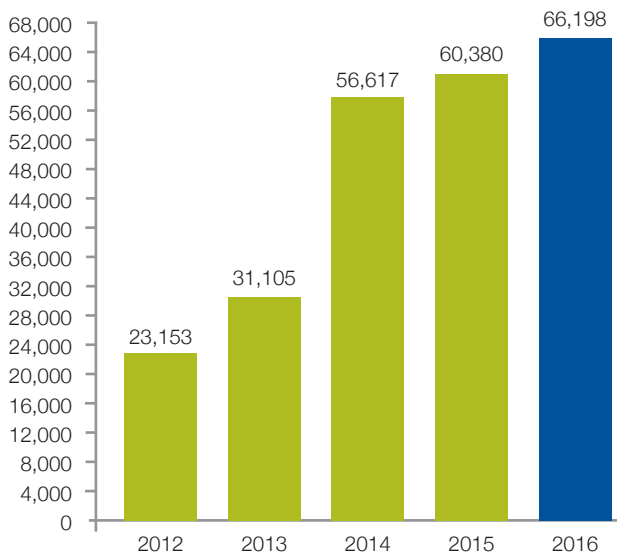
Tim Allen
Chairman

Financial Highlights

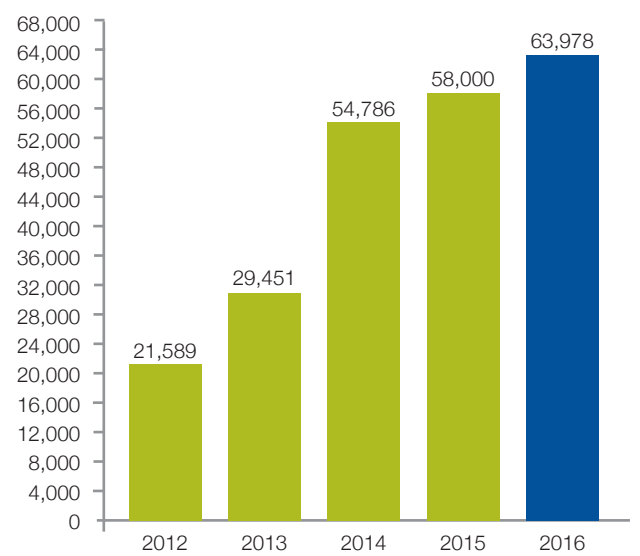
Turnover (£000's)



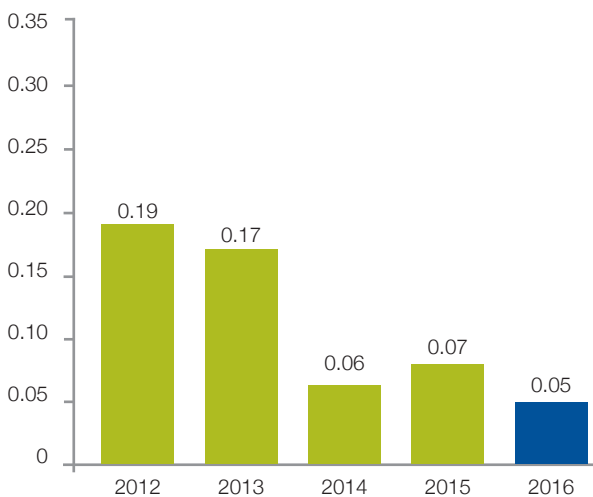
Discount & Rebate Received (£000's)



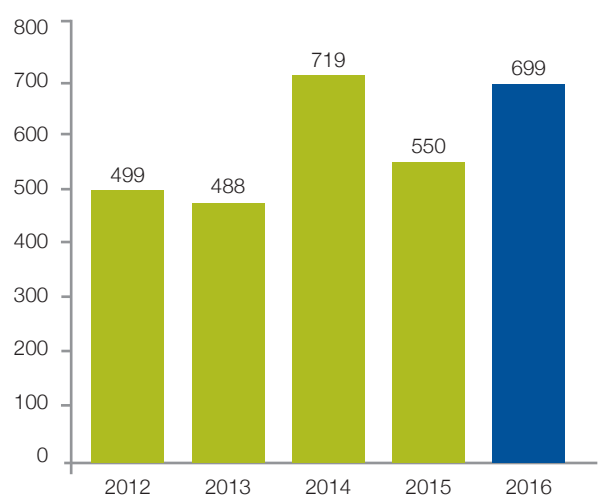
Discount & Rebate to Members (£000's)



Admin. Expenses/Turnover (%)



Bad Debts & Insurance Premiums (£000's)



Statement of Board's Responsibilities

THE BOARD OF MANAGEMENT ARE RESPONSIBLE FOR PREPARING THE FINANCIAL STATEMENTS IN ACCORDANCE WITH APPLICABLE LAWS AND REGULATIONS.

The Co-operative and Community Benefit Societies Act 2014 requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society and of the surplus or loss of the Society for that period.

In preparing these financial statements, the Board is required to:

- > select suitable accounting policies and then apply them consistently;
- > make judgements and estimates that are reasonable and prudent;
- > state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

- > prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Society's transactions and disclose with reasonable accuracy at any time the financial position of the Society and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Ms J E Langford
Secretary

Management Board

Mr T Allen (*Chairman*)

Mr C Hayward (*Managing Director*)

Ms J Langford (*Secretary/Financial Director*)

Mr A Hextall (*Director*)

Mr A Tipper (*Elected*)

Walter Tipper Ltd, Lichfield

Mr C Bence (*Elected*)

George Bence & Sons
(Cheltenham) Ltd, Cheltenham

Mr M Davies (*Elected*)

LBS Builders Merchants Ltd, Llandeilo

Mr P Buttle (*Elected*)

Buttle Plc, St Albans

Mr G Hopkins (*Elected*)

Turnbull & Co Ltd, Sleaford

Mr D Dickens (*Elected*)

Martin & Partners Ltd, Northampton

Mr A Hogg (*Elected*)

G B Willbond Ltd, Nottingham

Mr T Parker (*Elected*)

Parker Building Supplies Ltd, East Sussex

Building Committee

Mr T Valentine (*Chairman*)

George Tufts & Son Ltd, Norfolk

Mr T Jones

P&R Building Supplies Ltd, Coalville

Mr G Henshaw

Henshaws Roofing & Building Supplies Ltd,
Manchester

Mr G Morgan

Gilmore Building Supplies Ltd, Willenhall

Mr M Smith

Grant & Stone Ltd, High Wycombe

Mr P Worthington

Builders Supplies (West Coast) Ltd,
Fleetwood

Mr S Clark

Tiptree Building Supplies, Colchester

Mr D Thompson

Builders' Merchant Company Ltd,
Scunthorpe

Mr C Harris

Total Building Materials Ltd, Worthing

Hardware Committee

Mr D Dickens (*Chairman*)

Martin & Partners Ltd, Northampton

Mrs J Procter

A J Philpott & Sons Ltd, Stoke-On-Trent

Mr N Drew

Drews Ltd, Reading

Mr N Neale

Gardner & Scardifield Ltd, Lancing

Mr P Acers

Acrelane Timber Ltd, London

Mr S McElrea

Frank Howard Tools & Fixings Ltd, Essex

Plumbing Committee

Mr D Hill (*Chairman*)

West Building Supplies Ltd, Bridlington

Mr S Ryan

Watertight Plumbing & Heating Supplies Ltd,
St Ives

Mr M Stone

M Markovitz Ltd, Tideswell

Mr D Hancox

AJ Paveley & Co, Birmingham

Mr N Hickman

Hickman Supplies Ltd, Beccles

Mr N House

Grant & Stone Ltd, High Wycombe

Mr J Wyatt

Kingsley Bathroom Plumbing & Heating
Centre Ltd, Northampton

Mr F Member

Q S Supplies Ltd, Leicester

Mr R Singh

Windsor Bathrooms, Bradford

Mr A Robertson

Alex Robertson Plumbing Supplies Ltd,
Glasgow

Independent Auditors Report

TO THE MEMBERS OF NATIONAL MERCHANT BUYING SOCIETY LIMITED

We have audited the consolidated financial statements of National Merchant Buying Society Limited for the year ended 31 December 2016 which comprise the Revenue Account, Balance Sheet, Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Society's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditors' 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 Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE BOARD OF MANAGEMENT AND AUDITOR

As explained more fully in the Statement of Board's Responsibilities, the Board is responsible for the preparation of the financial statement which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Report of the Board of Management

to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- > give a true and fair view of the state of the Society's affairs as at 31 December 2016 and of its income and expenditure for the year then ended, and
- > have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and with the Co-operative and Community Benefit Societies Act 2014.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

- > the Society has not kept proper books of account, and not maintained a satisfactory system of control over its transactions, in accordance with the requirement of the legislation;
- > the revenue account, any other accounts to which our report relates, and the balance sheet are not in agreement with the Society's books of accounts; or
- > we have not obtained all the information and explanations necessary for the purposes of our audit.

Rogers Spencer

Nottingham,
Statutory Auditors,
Chartered Certified Accountants,
29 March 2017

Consolidated Revenue Account

for the year ended
31 December 2016

	NOTE	2016	2015
		£000	£000
Transactions	2	1,531,045	1,393,830
Trading revenue retained	3	2,220	2,380
Interest on short term bank deposits		349	224
		2,569	2,604
Deduct			
Depreciation of fixed assets	7	171	169
(Profit) on sale of fixed assets		(4)	0
Auditors remuneration		27	24
Provision for Bad debts including cost of associated insurance premiums	4	699	550
Exchange rate movement		(52)	(15)
Low claims bonus received		(53)	0
Administration expenses		798	1,050
		1,586	1,778
Surplus before taxation		983	826
Taxation	6	(151)	(7)
Retained surplus for the financial year		832	819

The notes on pages 10 to 16 form part of these financial statements.

Continuing Operations

None of the Society's activities were acquired or discontinued during the above two financial years.

Historical Cost Results

The difference between the results as disclosed in the revenue account and the result on an unmodified historical cost basis is not material.

Recognised Gains & Losses

There were no recognised gains or losses in 2016 or 2015 other than the surplus shown in these accounts.

Parent Company Revenue Account

The parent company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company revenue account.

The surplus for the parent company for the year was £750,000 (2015: £57,000)

Consolidated Balance Sheet

for the year ended
31 December 2016

	NOTE	Group		Company	
		2016	2015	2016	2015
Fixed Assets					
		£000	£000	£000	£000
Tangible Assets	7	817	889	817	889
Investments	8	17	17	1,217	517
		834	906	2,034	1,406
Current Assets					
Debtors	9	183,794	147,183	183,733	147,137
Cash at bank and in hand		42,216	36,889	39,355	34,951
		226,010	184,072	223,088	182,088
Creditors					
Amounts falling due within one year	10	223,030	182,034	222,310	181,318
Net Current Assets		2,980	2,038	778	770
Total Assets less Current Liabilities		3,814	2,944	2,812	2,176
Provisions for liabilities and charges	11	(4)	(13)	(4)	(13)
		3,810	2,931	2,808	2,163
Capital & Reserves					
Called up share capital	12	101	99	101	99
Reserves	13	3,709	2,832	2,707	2,064
		3,810	2,931	2,808	2,163

The notes on pages 10 to 16 form part of these financial statements.

Approved by the Management Board on 29 March 2017.

Consolidated Cash Flow Statement

for the year ended
31 December 2016

	NOTE	2016	2015
		£000	£000
Cash From Operations	17	5,056	6,315
Corporation tax paid		(29)	(25)
Net Cash Inflow from Operations		5,027	6,290
Cash Flow From Investing Activities			
Purchase of tangible fixed assets		(116)	(39)
Sale of tangible fixed assets		20	0
Interest received		361	272
Net Cash Inflow From Investing Activities		265	233
Cash Flow From Financing Activities			
Bank charges		(12)	(48)
Issue of share capital		47	38
Net Cash Inflow / (Outflow) From Financing Activities		35	(10)
Net Increase In Cash And Cash Equivalents		5,327	6,513
Cash and cash equivalents at the beginning of the year		36,889	30,376
Cash and cash equivalents at the end of the year		42,216	36,889

The notes on pages 10 to 16 form part of these financial statements.

Notes Relating to the Accounts

for the year ended
31 December 2016

1. ACCOUNTING POLICIES

Basis Of Accounting

These financial statements have been prepared on the historic cost basis of accounting, modified to include the revaluation of freehold land and buildings.

Transactions

Transactions represent the total transactions handled on behalf of the members, excluding VAT.

Depreciation

Depreciation of the Society's tangible fixed assets is based on their estimated useful life and has been calculated on their net cost using the following methods and annual rates:-

Freehold properties	2% straight line
Property improvements	25% straight line
Office furniture and equipment	20% / 33 $\frac{1}{3}$ % straight line
Motor cars	25% straight line
Computer Software	33% straight line

Pension Scheme

The Society operates a defined contribution scheme. Contributions are charged to the revenue account in the year in which they are payable. The regular pension cost was charged to the revenue account and was based on the expected pension costs over the service lives of the employees. Contributions to the pension scheme were paid according to the advice of the actuaries.

Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating profit.

Deferred Taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Fixed asset investments

Fixed asset investments are stated at cost less provision for diminution in value

2. TRANSACTIONS

2016

2015

	£000	£000
United Kingdom	1,526,623	1,390,364
Republic of Ireland	4,422	3,466
	1,531,045	1,393,830

Notes Relating to the Accounts

for the year ended
31 December 2016

3. TRADING REVENUE RETAINED	2016	2015
	£000	£000
Discounts and rebates receivable	66,198	60,380
Discounts and rebates allowable	63,978	58,000
Trading revenue retained	2,220	2,380

4. BAD DEBTS

Bad debt insurance premium	537	477
Specific bad debts and (decrease)/increase in provision	162	73
	699	550

5. EMPLOYEES

	2016	2015
Staff costs consist of:	£000	£000
Salaries	1,522	1,415
Social Security Costs	143	138
Pension Costs – defined contribution scheme (note 14)	72	61
Total Staff Costs	1,737	1,614

Staff costs consist of:	No.	No.
The average weekly number of employees, including part-time staff, during the year was:	50	50

Included in payroll costs is £49,082 (2015: £43,641) paid to the current non-executive chairman, T. Allen (all costs are inclusive of expenses).

Notes Relating to the Accounts

for the year ended
31 December 2016

6. TAXATION

2016

2015

Domestic current year tax. UK Corporation Tax at 20%:	£000	£000
Based on the profit for the year	160	29
Adjustment re previous year	0	5
Total current tax	160	34

Deferred tax

Origination and reversal of timing differences	(9)	(27)
Tax losses	0	0
Total deferred tax	(9)	(27)
Total tax	151	7

7. TANGIBLE FIXED ASSETS

	Freehold Property	Property Improvements	Software	Office Furniture & Equipment	Motor Vehicles	Total
Cost or Valuation	£000	£000	£000	£000	£000	£000
At 1st January 2016	736	66	196	193	164	1,355
Additions	0	10	25	43	38	116
Disposals	0	0	0	0	(66)	(66)
At 31st December 2016	736	76	221	236	136	1,405

Depreciation

At 1st January 2016	68	51	113	148	86	466
Charge of year	15	8	68	39	41	171
Disposals	0	0	0	0	(49)	(49)
At 31st December 2016	83	59	181	187	78	588

Net Book Value

At 31st December 2016	653	17	40	49	58	817
At 31st December 2015	668	15	83	45	78	889

The amount of freehold property determined according to the historical cost accounting rules is as follows:

	2016	2015
	£000	£000
Cost	736	736
Accumulated depreciation	(83)	(68)
Net book value	653	668

Notes Relating to the Accounts

for the year ended
31 December 2016

8. FIXED ASSET INVESTMENT

On 9th June 2014 NMBS purchased 800 ordinary shares in Euro-Mat S.A for €24.80 per share. Euro-Mat is a European collection of buying societies.

On 9th December 2014 the Company purchased 500,000 ordinary shares at £1 per share in NMBS IC Ltd. The shares were purchased with respect to a Captive Cell which has been established as a credit insurance facility for the Company. On 30 June 2016 the company increased its investment in NMBS IC Ltd through the acquisition of a further 700,000 ordinary shares at £1 per share.

NMBS IC Ltd replaced Lansdowne Insurance Company Ltd with effect from 1 January 2015. Any reserves remaining in Lansdowne Insurance Company Ltd will be transferred to NMBS IC Ltd.

	Investment in subsidiary undertaking	Fixed asset investments	Total	2015
	£000	£000	£000	£000
At 1st January 2016	500	17	517	517
Additions	700	0	700	0
At 31st December 2016	1,200	17	1,217	517

The Society made annual insurance premium payments of £1,451,000 (2015: £1,272,000) to NMBS IC Limited

9. DEBTORS	Group		Company	
	2016	2015	2016	2015
Amounts falling due within one year:	£000	£000	£000	£000
Trade debtors and rebates accrued	182,784	146,834	182,784	146,834
Sundry debtors and prepayments	1,010	349	949	303
	183,794	147,183	183,733	147,137

10. CREDITORS	Group		Company	
	2016	2015	2016	2015
Amounts falling due within one year:	£000	£000	£000	£000
Trade creditors and rebates due to members	218,728	178,047	218,728	178,047
Sundry creditors and accrued charges	2,511	2,138	1,791	1,422
Other taxes and social security	1,791	1,849	1,791	1,849
	223,030	182,034	222,310	181,318

Notes Relating to the Accounts

for the year ended
31 December 2016

11. PROVISIONS FOR LIABILITIES

Deferred tax Liability

	£000
Balance at 1st January 2016	13
Revenue Account	(9)
Balance at 31st December 2016	4

	2016	2015
	£000	£000
Deferred tax is provided as follows:		
Accelerated capital allowances	4	13
Tax Losses	0	0
	4	13

12. CALLED UP SHARE CAPITAL

	2016	2015
	£000	£000
Allotted and fully paid:		
10,090 (2015: 9,930) shares at £10 each	101	99
	No.	No.
Members admitted during the year	44	29
Membership terminated during the year	28	25

13. RESERVES

	Share Premium Account	Profit and Loss Account	Total
	£000	£000	£000
Group			
At beginning of year	1,282	1,550	2,832
Premium on issues of shares	45	0	45
Transfer from revenue account for the year	0	832	832
At end of year	1,327	2,382	3,709

	Share Premium Account	Profit and Loss Account	Total
	£000	£000	£000
Company			
At beginning of year	1,282	782	2,064
Premium on issues of shares	45	0	45
Transfer from revenue account for the year	0	598	598
At end of year	1,327	1,380	2,707

Notes Relating to the Accounts

for the year ended
31 December 2016

14. PENSION COSTS

The company operates a defined contribution scheme and contributions are charged in the profit and loss account as they accrue. The charge for the year was £71,828 (2015: £61,438).

15. CONTINGENT ASSET

NMBS IC Limited has a low claims bonus provision whereby if certain criteria are met, 90% of the net retained premium after claims within NMBS IC Limited for the year will be returned to NMBS Limited in 12 months time. This premium will not be returned if there are significant claims against the Captive Cell in any of the next 12 months. As such there is significant uncertainty over the receipt of this premium and NMBS Limited have not recognised this as an asset within these accounts. The return for 2016 has been calculated as £871,000, and if there are no claims before 31 December 2017 this will be recognised as a debtor in those accounts.

16. RELATED PARTIES

Transactions exist between the Society and the Board Members' companies. These transactions are on an arm's length basis.

During the year the company commenced paying the Board for attendance at Board meetings. During the year payments totalling £31,500 (2015: £nil) were paid to Board members. The Captive Cell is also a related party. Details of transactions during the year are included in note 8.

17. NOTES TO THE CASH FLOW STATEMENT

	2016	2015
Reconciliation of surplus before taxation to operating cash flows	£000	£000
Surplus before taxation	983	826
Interest receivable	(349)	(224)
Depreciation charges	171	170
(Profit)/Loss on sale of tangible fixed assets	(4)	0
Increase in debtors	(36,611)	(635)
Increase in creditors	40,866	6,178
Net cash inflow from operating activities	5,056	6,315

	At Start of Year	Cash Flow	At End of Year
Analysis of Changes in Net Debt	£000	£000	£000
Cash in hand and at bank	36,889	5,327	42,216

Reconciliation of Net Cash Flow to Movement in Net Debt

	2016	2015
	£000	£000
Change in net debt resulting from cash inflows	5,327	6,513
Net funds at 1st January	36,889	30,353
Net cash (outflow) inflow from operating activities	42,216	36,866

Notes Relating to the Accounts

for the year ended
31 December 2016

18. COMPARISONS	2016		2015		2014		2013	
	£000	%	£000	%	£000	%	£000	%
Transactions	1,531,045		1,393,830		1,284,697		684,303	
Discounts and rebates receivable	66,198	4.32	60,380	4.33	56,617	4.41	31,105	4.55
Discounts and rebates allowable	63,978	4.18	58,000	4.16	54,786	4.27	29,451	4.30
Revenue retained	2,220	0.14	2,380	0.17	1,831	0.14	1,654	0.24
Administrative expenses	798	0.05	1,050	0.08	803	0.06	1,170	0.17

National Merchant Buying Society Limited 10 Merus Court, Meridian Business Park, Leicester, LE19 1RJ

Tel: 0116 253 0531

 National Merchant Buying Society

www.nmbs.co.uk

 @NationalMerch

