



ANNUAL REPORT 2022

STRENGTHENING
INDEPENDENTS

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Chairman's Statement

2022 Results

During 2022 the Society has continued to make progress, effectively supporting our members through what are clearly uncertain and challenging times. The Society enjoyed a good year recording transactions of £2.25bn (2021: £2.18bn), membership increased by 33 to 1,230 and discounts and rebates payable to members totalled £85.3m (2021: £82.1m). The similar trading results for 2020 were transactions of £1.83bn and discounts and rebates of £77.2m.

The Board continues to believe that the strengthening of the Society finances is critical to securing its future by providing confidence to its stakeholders. By retaining more profit over the last three years, the Society's consolidated net worth has increased from £7.2m to £11.7m. The strengthening of the balance sheet is not at the expense of any guaranteed rebate payments and, indeed, a healthy [and increased] residual payment of £1.013m (2021: £0.998m) will be distributed to members for the year.

Strategic focus

Following the strategic review of the Society's purpose and activities undertaken in 2021, the Board has implemented the recommendations from the review. Our key strategic focus for the immediate future is twofold. First, building a strong ESG strategy and, second, developing our digital trading platform - ONEPLACE™.

Continued further investment has been made into our systems to enhance efficiency and resilience. I am pleased to report that a new ERP system was successfully implemented at the end of the year. ONEPLACE™ continues to gain momentum with the on-boarding of suppliers and members. The Board believes that our online order portal is an important driver for growth and connectivity with our stakeholders.

Our industry continues to experience a rapid and ever increasing, rate of change. The Society remains vigilant to and are responsive to this change. The Board is ensuring that the Society is focussing on the critical issues facing our industry by:

1. developing the right purpose and strategy,
2. executing it effectively; and
3. maintaining the right values and culture.

The Board is clear in its intention that the Society must be financially and operationally robust, resilient, and responsive..

Board

David Dickens and Gary Hopkins will retire from the Board having agreed to remain on the Board through the pandemic and Strategic Review to provide continuity. On behalf of the Board, I wish to thank David and Gary for their substantial contributions to the Society over many years.

The Board is proposing at the forthcoming AGM that Paul Bence (George Bence & Sons (Cheltenham) Ltd) and William Tipper (Walter Tipper Ltd) be elected to the Board to fill the two vacancies arising.

I wish to record the dedication and commitment that my Board colleagues have provided during the past year.

Annual General Meeting

The Board looks forward to meeting members at the forthcoming AGM to be held at the Society's offices on Thursday, 1st June 2023.

Outlook

The Society, and hence its members, is experiencing reduced levels of trading. Whilst the Board is in no way complacent about the challenges ahead, the Board remains confident of the long-term prospects for the Society, whilst recognising the current outlook is uncertain and the considerable challenges around inflation. Our expectation for 2023 is for [a modest] reduction in transactions and rebates to members.

Last and most certainly not least, I wish to take this opportunity to thank on behalf of the Board the executive team and all our employees for their energy, commitment and determination to deliver results for members.

Jeremy Miller

Chairman

13th April 2023

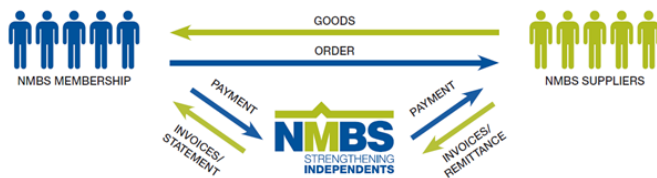


Strategic Report

Introduction

NMBS is a co-operative owned by its members and we currently have 1,230 members, with 4,749 branches across the UK, covering the full range of Independent Builders, Plumbing & Heating, Hardware, Tool and Timber Merchants.

Business Model



The primary aim of NMBS is to enable our members to succeed and to be the **“Best at what Matters Most”**, by focusing on the following core activities:

- Providing Easy Access to Brand Leading Suppliers – via simple Account Set Up and Access to Credit provided by NMBS
- Exclusive Discounts & Rebates – that drop straight to the bottom line
- NMBS Trade Exhibition – Great Buying & Selling Show with lots of Exclusive Discounts and Rebates that apply to the whole month of April
- Reduced Administration Costs – via Invoice Clearing – Easy Online Download of Invoices/Credits & Statements – One Payment to cover multiple supplier accounts
- Electronic Invoicing – One step set up to give simple and easy access to EDI invoicing with almost 500 Suppliers
- Professional Support from the NMBS Team – Clear Help and Advice

Put simply, NMBS negotiates a framework deal with a supplier, which it then communicates to its members. Our members do not have to follow the deal and it is totally up to them whether they use it.

If a member should decide to use the NMBS Deal, then they contact the supplier direct to state they are an NMBS member and would like to place an order. The goods go direct to the member and the invoice is sent to NMBS, which in turn sends a copy to the member. The member pays NMBS at the end of the month following the date of invoice and NMBS guarantees to pay the supplier at the same time.

Suppliers invoice NMBS by EDI (Electronic Data Interchange) and our members download copy invoices in PDF format either daily from the online NMBS Document Centre or by EDI.

Members and suppliers are encouraged to use the NMBS Online Report Centre, where they can download copy invoices/credits and make use of the online query resolution system which speeds up the invoice to payment process for both the member and supplier.

In return for providing an Invoice Clearing Service, NMBS negotiates a rebate from the supplier for invoicing through our digital trading platform and the member normally negotiates their own off-invoice terms. In our experience this works best, as the member is often better placed to ensure they get the most competitive invoice price and terms for their local area.

Details of Member Rebate Terms are issued to members on a Quarterly Basis in the NMBS Rebate Schedule and are available via the secure NMBS Report Centre or password protected Website.

Suppliers offer enhanced terms and rebate for invoicing through NMBS primarily for the following reasons:

- Exclusive Route to Market to over 1,197 Independent Merchants
- One Single Payment by Bacs
- Guaranteed On-time Payment
- Bad Debt Guarantee for all Members invoices
- Single Efficient Invoicing Route – Digital Trading Platform
- EDI (Electronic invoices & credits notes direct to NMBS)
- Reduced Accounts Administration through using the NMBS Report Centre
- Exclusive NMBS Events – including NMBS Trade Exhibition
- Access to NMBS Marketing & Promotions to Members
- Access to the NMBS ONEPLACE™ Ordering & PIM Portal
- Support of NMBS Sales Team
- Professional Account Management

2022 Review

Trading Performance

NMBS enjoyed a successful year in 2022, growing the value of our transactions to £2.25 Bn, a 3.48% increase on 2021, which reflected a difficult year in what was an extremely challenging trading environment, with a perfect storm of inflation,

Strategic Report

war, political instability, rising interest rates and recessionary pressure.

Despite this uncertain background, the team at NMBS performed very well and achieved some significant stand out successes for 2022, which included the successful implementation of a new ERP system and beating the target for new members with 50 joining during the year.

The NMBS All Industry Conference was held in June, in Sorrento, Italy where suppliers and members immersed themselves in a programme packed with insight, analysis and plenty of networking opportunities. The enthusiasm was palpable for what is a major event for the industry, the first held this side of the pandemic, with more than 485 attendees and a fantastic line-up of expert speakers covering topical sector issues under the theme 'The Future Matters'. Sessions explored how the construction industry is changing, against a backdrop of new technology, data and digitalisation and the conference included a segment examining how the ONEPLACE™ was transforming how suppliers and members trade with each other.

During the year we also engaged a new PR Agency which has helped increase our exposure to members and suppliers, resulting in significant growth in our social media presence.

In October, we saw the successful return of the NMBS Dinner Dance with more than 1,050 independent builders' merchants and suppliers celebrating the first NMBS Dinner Dance since 2019. The industry's most anticipated social event of the year featured a night of entertainment and networking at London's Grosvenor House Hotel. During the evening, guests also raised a huge £10,000 for the charity "Crash". The NMBS Dinner Dance has one simple objective, which is to thank members and suppliers for their support throughout the year.

We launched a brand-new website in July as part of a wider investment in digital services for our members. The new website is part of a programme of work to improve and develop the technology used within NMBS to maintain and build on the valued service the Society delivers to its members and suppliers.

The website offers a more user-focused online experience and brings together all the information and resources that members need in one easily accessible location with a much-improved structure and design. The website enables members to keep up to date with NMBS and supplier news and hot topics, find out about upcoming NMBS events and access secure areas where they can view their account and sales data.

One major benefit for NMBS members is the online publication of the Society's Buyers' Guide and which is also available via the ONEPLACE™ android and apple ios app's, making access to this essential tool quicker and easier for members and eliminating the need to rely on a traditional printed version. This means members can find what they're looking for more quickly and access the information they need wherever they may be.

Our investment in the new NMBS website reflects our wider decision to take an increasingly digital-first approach to our

business. We believe that by investing in our digital infrastructure we can make life easier for our members and suppliers and in a world where a preference for digital engagement is fast becoming the norm; phasing out a paper-based approach to our marketing and member service activities also brings obvious benefits to the environment.

As good environmental practice and a focus on sustainability become ever-greater priorities in the industry, we recognise that we have a responsibility at NMBS to take every opportunity to limit our own environmental impact.

Thanks must go to the whole Trading, Sales, Marketing, Ecommerce and Event Teams, led by Andy Hextall our Commercial Director for all their hard work and a special mention to the Heavyside and Lightside commodity committees for their hard work throughout the year.

Finance, IT & Operations performance

NMBS Administration Costs were kept below budget in 2022, increasing slightly to 0.12% of annual turnover, up from 0.10% of turnover in 2021. This largely reflected our investment in a new ERP system and the transition costs associated with moving from our previous ERP system. Technology is considered vital for NMBS to move forwards and the investment reflects this.

Member liquidity and performance in their own businesses has remained strong and the NMBS Team has continued to focus on reducing the overdue debt and the amount of outstanding debit notes with suppliers.

There has been a noticeable increase within our industry with regards to Cyber and Ransomware attacks. Computer malware can disrupt or shut down a company's operations when it encrypts critical business systems and ransom demands can range from hundreds of thousands to millions of pounds. As a direct consequence, we have therefore doubled down on our cyber security measures and have completed all the groundwork to achieve the cyber essentials accreditation during 2023. We mandate monthly cyber training awareness courses for everyone in the business, with this also being a key topic of discussion at department meetings, along with regular reminder emails on best practice. In addition, we have retained the specialist incident response service of KPMG to strengthen our business resilience, in the event that attackers overcome our comprehensive cyber defences. It is essential that we have a resilient approach to coping with cyber-attacks, especially events that disrupt business services and force a company-wide response.

During 2021 the Board had signed off on the implementation of a new ERP System which I am pleased to report successfully went live in October. Our new ERP system will future proof our core invoice clearing business model and gives us a very solid platform for further improvement to our business processes in 2023. Special thanks much go to Christina Walker our Head of Finance & Systems for leading the ERP project and her team for all their hard work in making this happen.

Strategic Report

Thanks also to the Finance, IT and Operations Team at NMBS, ably led by Julie Langford our Finance & Operations Director for helping with the transition to the new ERP system and for doing a great job in the past year.

ONEPLACE™ Trading Platform

As part of our growth and evolution, we have continued to make significant investments in ONEPLACE™ which will continue in 2023 and a key element of our business strategy for the year ahead will be how we harness the goodwill and collaboration we have experienced already towards ONEPLACE™ and how we may deliver a lasting and worthwhile industry solution.

Our PIM has been developed to enable:

- Data Exchange via API
- Data Import & Export
- Data Export Channels
- Digital Catalogs
- ETIM Classification, Categorization and Segmentation
- Mass Product & Price Updates
- History, Notifications and Comments
- Easy Product Search

ONEPLACE™ is a Product Information Management platform that connects building industry partners through its advanced interface and connectivity functionality. By aggregating and validating quality product and pricing data, it lets suppliers easily and securely share accurate and timely product and pricing data with their merchant customers (members), from one centralized platform, in one standardized electronic format.

It's a simple way for our suppliers to avoid unnecessary costs, build stronger relationships with their merchant customers, and increase order processing efficiency.

Suppliers can easily notify members regularly of price changes, new products and product improvements through the platform's simple interface and advanced search features. Suppliers will enjoy better brand exposure, while controlling who can access and export their product data, and the advanced completion and health check tools within ONEPLACE™ ensure that they are constantly being notified where data needs updating or improving.

Our members have instant access to accurate and timely product information knowing that the product data is maintained in a secure structured platform to industry data standards such as ETIM. The data is checked for quality and completion and validated against multiple data export criteria to ensure its high quality and consistency, giving them the confidence that the data can be used across their own E-Commerce and Back

Office platforms.

Members can access product descriptions, specification sheets, COSHH sheets, attributes, images, videos, and more as well as their unique specific up to date pricing data.

The platform already has over 710,000 products available for its members to download and has processed so far over 17,500 orders to suppliers, with a combined order value of £451m.

In summary, ONEPLACE™ is a state-of-the-art PIM and B2B ordering platform that helps drive efficiencies in the purchase-to-payment process and drive growth for suppliers and members through its advanced connectivity and data distribution functionality. Over 300 of our more forward-thinking suppliers already are using the service and it is our objective for all our 500 plus suppliers to be on the platform by the end of 2023.

Good Governance

We are owned and controlled by our members who are independent merchants that support co-operative values and principles of working together.

The Board is constantly seeking to ensure good governance, with the aim that NMBS should focus on the interests of members; people who one way or another are involved directly in the success of their business and our sector.

Last year we advised that NMBS would be adopting the QCA Code, which identifies 10 principles that focus on the pursuit of medium to long-term growth in value for shareholders, without stifling the entrepreneurial spirit in which a company was created.

We have now published on the NMBS Website how we aim to comply with the QCA Code and have begun to implement it across the business and expect to fully comply with its reporting requirements by the end of 2023.

As part of building the right framework for good governance we have also looked to adopt best practice in respect of creating a formal ESG policy for NMBS.

Environment, Social and Governance (ESG) factors have emerged over the years in response to both social and environmental pressures and the risks they represent has grown.

Responsible Business is now defined by the inclusion of these factors into core business practice, which includes topics such as Climate change mitigation, Diversity and Inclusion, Sustainable products, Modern Slavery, Risk management, Health & Safety and Corporate Governance.

NMBS is seeking to derive value from ESG integration and as part of that we considered it was important to demonstrate the business case for the implementation of ESG within the NMBS strategy, providing clarity on why ESG implementation is more than a tick-box activity.

Strategic Report

We therefore employed the services of Mazars to help us to identify material risks throughout our companies' processes and to implement strategies to mitigate them, to become as efficient as possible and derive the full value from ESG. The Directors place a strong emphasis on stakeholder satisfaction, to protect the long-term sustainability of NMBS, and they recognise that embedding ESG into our strategy will be a transformational journey, helping us to derive value. This will require the openness and support of the whole team at NMBS and close engagement with key stakeholders.

I am pleased to report that we have now conducted the first part of our ESG review which has led to the formation of an ESG task force. We will be rolling out our ESG plan across the business in the coming months and will also be looking to share best practice with our suppliers and members in due course.

Risks

NMBS acknowledge the importance of good risk management and that it should be a key activity for the business and has recently completed a full review to identify its key risks.

These are to be reported on a regular basis in the form of a Risk Register, which is a tool used during risk assessment to define the level of risk, by considering the category of probability or likelihood against the category of consequence severity. The presentation and discussion of the Risk Register will be a standing agenda point for both internal management and Board meetings in the future.

When considering future risks, we have reviewed the Construction Industry Forecasts for 2023/24 provided by the Construction Products Association. They forecast that the trading climate ahead will be difficult with construction output expected to fall by 4.7% in 2023 before recovering slowly in 2024 with growth of just 0.6%.

The construction industry is not immune to the impacts of a wider UK economic recession, rising interest rates and inflation. Private housing new build, the largest construction sector, and private housing repair, maintenance, and improvement (RMI), the third largest sector, are forecast to be the worst affected sectors this year. New build private housing is forecast to be the sector most affected by the downturn. However, the main forecast anticipates a soft landing for the housing market, which involves a sharp decline in demand during 2022 Q4 and 2023 Q1 before a recovery in demand this Spring.

Private housing RMI output was driven to historic high levels in 2021 due to increased working from home and a 'race for space'. However, with falling real wages, poor consumer confidence and double-digit construction cost inflation, many homeowners are now delaying smaller, discretionary improvements work and output has been falling since March 2022.

At NMBS we are therefore forecasting a small decline in our turnover transactions value for 2023 of about 4.5%. Notwithstanding the forecast, we remain confident in our ability to absorb the obstacles and advance the plans we have made for the business. We recognize, however, the need to remain focused on the basics such as cashflow and operating costs and continue to invest in our capabilities and services, deepen our sector expertise, and stand ready to support our members and suppliers.

The Future

The Board holds a strategic planning day in July of each year, which culminates in the executive delivering a proposal for a 5-year business plan, which was presented and approved by the Board on 23rd November 2022.

Our key objectives for 2023 will include a focus on:

- Business Process Improvement – how best to improve our processes to become both more efficient and resilient.
- Achieving Cyber Security Accreditation - Cyber Essentials 1 & 2.
- Transactions Growth – Selling the value of invoicing via NMBS.
- Development of a new Report Centre "DataPlus" - to greatly improve the experience and performance for both members and suppliers.
- Retain our Investors in People – Platinum Status
- Strategic development of NMBS ONEPLACETM™ - provide all the services that suppliers and members need to transact digitally with each other, across the whole supply chain.
- CRM Development – Full review of CRM software to improve communications with members and suppliers.
- ESG Adoption - across the business
- Celebrate NMBS 60th Anniversary – themed events and promotions throughout the year and a recruitment drive with support from the Builders Merchants Federation (BMF), to attract 60 new apprentices into the industry to mark the occasion.

Looking ahead to 2023, we do expect that the year will have its challenges, but we remain confident in our ability to advance the strategic plans we have made for the business, with a particular emphasis on process improvement on the current business model and for further strategic development of ONEPLACETM.

A key to our success will be on our ability to maintain the spirit of collaboration that has existed with our members and suppliers and, that shown with the independent buying groups such as Fortis, NBG, h&b, PHG, IBC CBA and IPG as well as continuing to work with industry bodies such as the BMF & CPA.

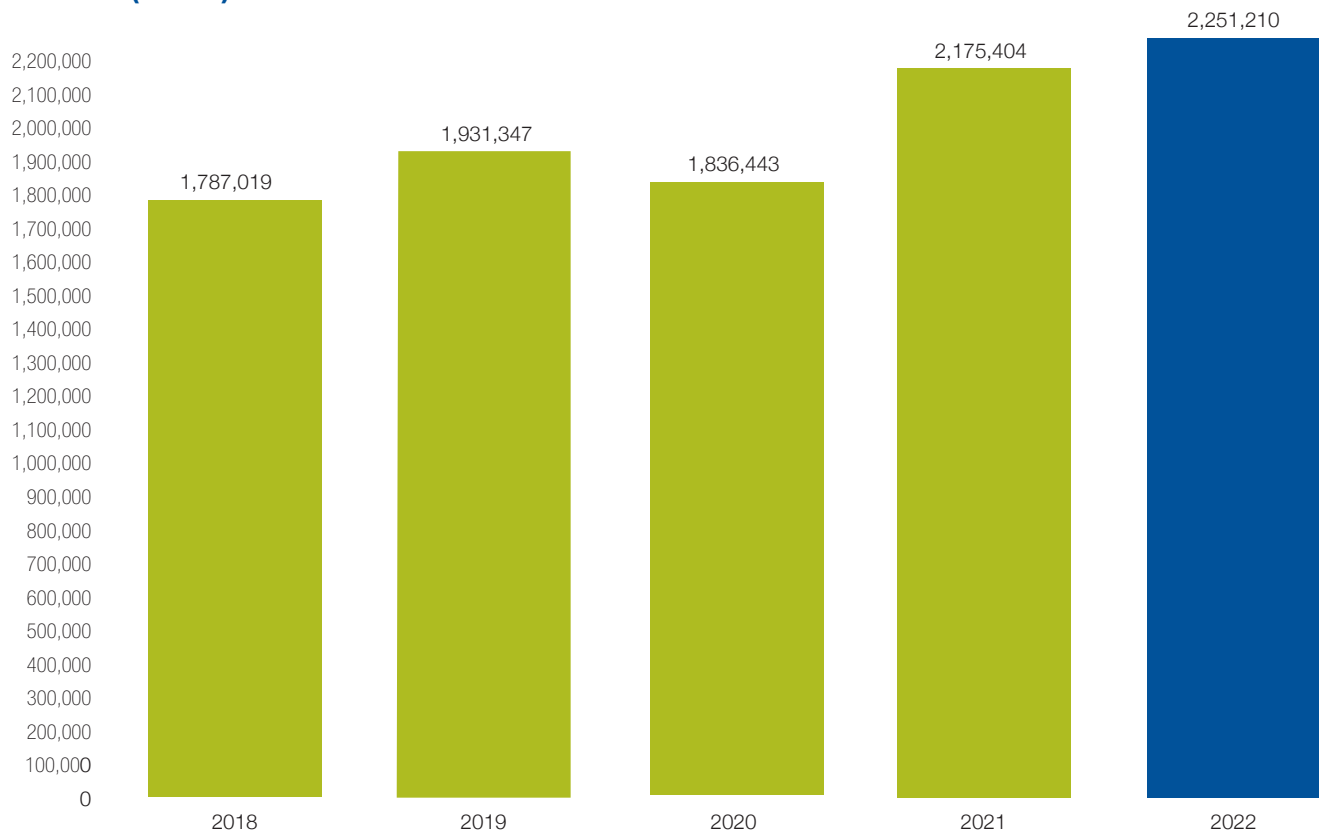
In summary, we are extremely lucky to have such an established elected member Board, with a very experienced Chairman, who are passionate about NMBS and are always keen to share their experience and insight to help drive the business forward. I would like to thank all the Board members for their tremendous support and guidance in ensuring that we continue to serve our members well in the future.

I would also personally like to thank both our members and suppliers for their support in the last year and look forward to a successful 2023 when NMBS will be celebrating 60 years of trading.

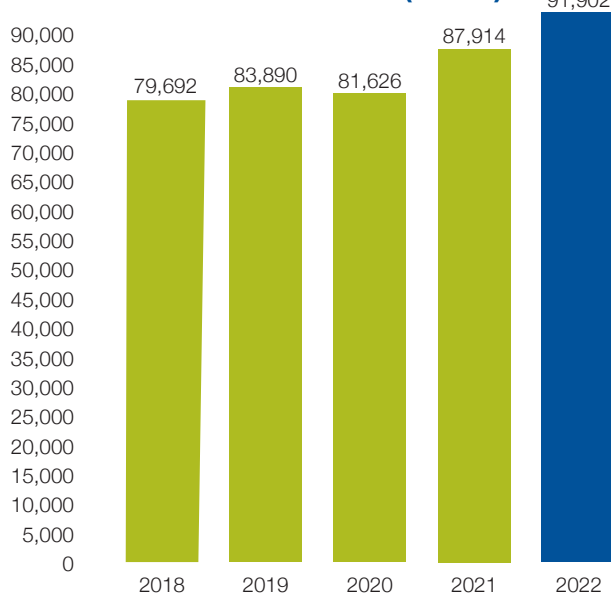
Chris Hayward
Chief Executive Officer
13 April 2023

Financial Highlights

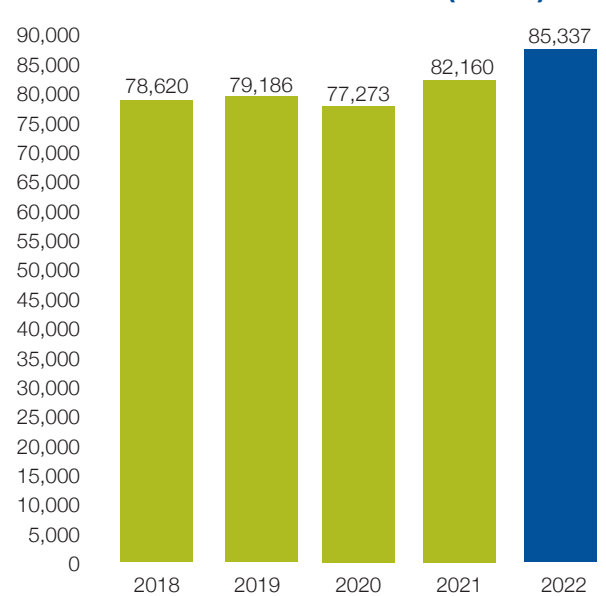
Turnover (£000's)



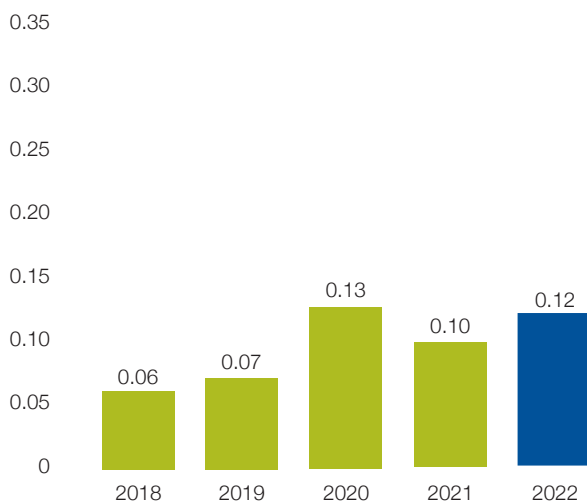
Discount & Rebate Received (£000's)



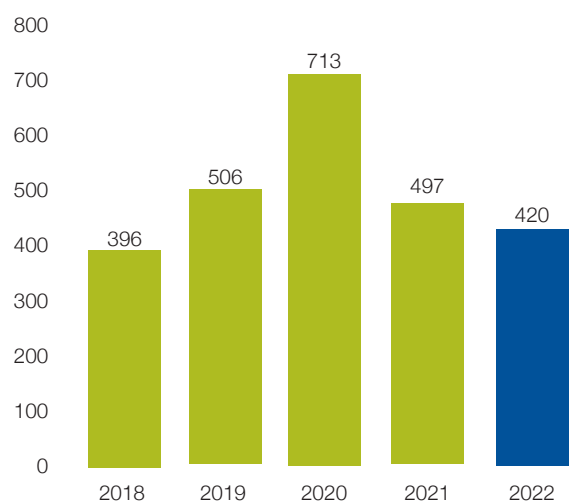
Discount & Rebate to Members (£000's)



Admin. Expenses/Turnover (%)



Bad Debts & Insurance Premiums (£000's)



Statement of Board's Responsibilities

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

The Board of Management is 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. The Board is 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.

J Langford
Company Secretary

NMBS Management Board

NMBS has an Executive Team responsible for running the business on a day-to-day basis and providing strategic direction. The Executive is supported by non-executive Directors who are drawn from a cross section of our membership. The non-executive Directors rotate on a 3 year basis having been elected each year at our AGM. The Chair is appointed by the Board to serve for a 3 year period, beyond which it is normally extended for another 3 years to a maximum of 6 years in total.

The Board meets a minimum of 5 times per year. In addition, both the Audit & Risk Committee and Governance & Remuneration Committee will meet a minimum of twice a year. The Board also has at least one strategy day per year to discuss ideas and agree the future direction for the business.

Currently the Board comprises the following individuals.

Independent Non-Executive Chair

- **Jeremy Miller**

Jeremy is a qualified Chartered Accountant, who brings to NMBS a wealth of financial experience gained from over 35 years in the City, including working as an auditor for KPMG early in his career; before moving to a major stockbroker and later investment banks and financial advisory firms. His working career also included a two-year secondment to The Takeover Panel. He also brings substantial experience from previously being a chairman and a non-executive director of a substantial house builder and contractor, along with other key non-executive roles.

Executive Directors

- **Chris Hayward** – Chief Executive Officer
- **Julie Langford** – Finance & Operations Director
- **Andy Hextall** – Commercial Director

Combined, the Executive Directors have extensive NMBS experience and a background of senior roles within the Builders Merchant industry or similar organisations.

Elected Non-Executive Member Directors

- **David Dickens** (Robert Pochin Limited) **Chair of Governance & Remuneration**
- **Frank Howard** (Frank Howard Tools & Fixings Ltd)
- **Glynis Catterson** (S&A Builders Merchants Ltd) **Chair of Audit & Risk**
- **Gary Hopkins** (Turnbull & Co Ltd)
- **Julian Milligan** (Kellaway Building Supplies Ltd)
- **Ken McLelland** (Yard Direct Ltd)
- **Mike Mann** (Williams Trade Supplies Ltd)
- **William Dobbs** (Fulham Timber Merchants Ltd)

Corporate Governance Report

The Board of NMBS has agreed to adopt the UK Corporate Governance Code, as can be referenced on the NMBS website www.nmbs.co.uk under the Governance section.

The Code is very comprehensive and provides clear guidelines on how to most effectively govern the business. We believe this sends a clear and transparent message to NMBS members on how NMBS operates with regards to Governance and its commitment to best practise.

Over the years, the Code has been revised and expanded to take account of the increasing demands on the UK's corporate governance framework. Whilst it was primarily targeted at listed companies, the framework it provides is a very useful tool for companies and societies wishing to adopt best practise.

Whilst not all the Code is applicable to an organisation like NMBS, the Board agreed to adopt the main principles of the Governance Code as stated in September 2015 and as updated in April 2016.

Role of the Board

The Board's primary role is to oversee and direct the affairs of the Society and to further the interests of our members, in accordance with relevant law and our rules. The Board meets at least five times a year and its responsibilities are set out in the Governance Code, which also details the matters reserved specifically for it.

Board Composition

At the date of this report, the Board comprised an independent non-executive Chair, Chief Executive Officer, Finance & Operations Director, Commercial Director and eight non-executive directors.

Key Roles on the Board

We have a robust system for corporate governance throughout the organisation with a clear division of responsibilities for those involved. Below is a brief description of the main responsibilities for the key roles on the Board.

The Chair is responsible for the leadership and management of the Board, overseeing the induction, evaluation and ongoing development of directors, ensuring we meet our overall governance standards and for maintaining an open and cooperative relationship with our members and other key stakeholders.

The senior non-executive elected director deputises for the Chair and supports him in the effective management of the Board. As our senior non-executive director, and Chair of the Governance & Remuneration Committee, he also serves as an important intermediary between the Chair, the rest of our Board and members.

The Chief Executive Officer is responsible for developing our overall strategy, leadership of the senior management team and operational oversight of the day-to-day operations of the Society.

The Company Secretary is responsible for supporting the Chair in the effective operation of the Board. She is also responsible for supporting individual directors in discharging their duties effectively.

Board Sub-Committees

The Audit & Risk Committee is made up of the following Board members

- **Glynis Catterson** (S&A Builders Merchants Ltd) **Chair of Audit & Risk**
- **Gary Hopkins** (Turnbull & Co Ltd)
- **William Dobbs** (Fulham Timber Merchants Ltd)
- **Mike Mann** (Williams Trade Supplies Ltd)

The Governance & Remuneration Committee is made up of the following Board members

- **David Dickens** (Robert Pochin Ltd) **Chair of Governance & Remuneration**
- **Frank Howard** (Frank Howard Tools & Fixings Ltd)
- **Julian Milligan** (Kellaway Building Supplies Ltd)
- **Ken McLelland** (Yard Direct Ltd)

Commodity Committee Members

The Executive and Management Board is also supported by two Commodity Committees who provide strategic direction on the NMBS Supplier Portfolio which is split between Light-side and Heavy-side Products.

The Commodity Committees are made up of directors or senior purchasing managers of members who represent a cross section of the membership. They volunteer their time to meet at least 3 times per year and discuss supplier performance, promotional and marketing activity and help steer the direction for prospective new suppliers.

Lightside Committee

Architectural Hardware Safety & Security, Bathrooms, Electrical & Lighting, Fixings & Fittings, Heating, Kitchens, Paints Coatings, Adhesives, Fillers, Mastics, Decorative, Plumbing, Power Tools, Tools & Equipment, Ventilation, Workwear

- **Ravy Singh** (Windsor Bathrooms) **Chair of Lightside Committee**
- **Neil Hickman** (Hickman Supplies Ltd)
- **Simon McElrea** (Terratruck Limited)
- **Nick Neale** (Gardner & Scardifield Ltd)
- **Shaf Member** (QS Supplies Limited)

Heavyside Committee

Bricks, Blocks & Aggregates, Building Components, Cement & Concrete, Civils & Drainage, Doors & Windows, Hard Landscaping (Inc. Decorative), Insulation, Lead, Plaster & Plaster Board, Roofing, Timber, Sheet Materials Decking & Joinery

- **Glenn Morgan** (Gilmore BS Ltd) **Chair of Heavyside Committee**
- **Farook Member** (Leicester Doors & Timber Ltd T/A Build Yard)
- **Adrian Shelley** (Henshaws Roofing & Building Supplies Ltd)
- **Marcus Williams** (Joseph Parr Building & Timber Materials)
- **Tony Valentine** (George Tufts & Son Limited)

Independent Auditor's Report

To The Members Of National Merchant Buying Society Limited

We have audited the consolidated financial statements of National Merchant Buying Society Limited (the 'Society') for the year ended 31st December 2022 which comprise the Consolidated Revenue Account, Consolidated Balance Sheet, Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31st December 2022 and of its income and expenditure 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 Co-operative and Community Benefit Societies Act 2014.

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 Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 board of management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board of management has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Society's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The board of management is 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 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

We have nothing to report in this regard.

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 requires 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 requirements 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.

Responsibilities of the board of management

As explained more fully in the board of management's responsibilities statement set out on page 1, the board of management is 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 it determines 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 board of management is responsible for assessing the Society'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 board of management either intends to liquidate the Society or to cease operations or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report

To The Members Of National Merchant Buying Society Limited

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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risk of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- We identified the laws and regulations applicable to the Society through discussions with committee members and other management, and from our knowledge and experience of the sector in which the Society operates;
- We focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Society, including the Co-operative and Community Benefit Societies Act 2014, taxation legislation and data protection, anti-bribery, employment, environmental and health and safety legislation;
- We assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- Identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Society's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- Making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- Considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations; and
- Understanding the design of the Society's remuneration policies.

To address the risk of fraud through management bias and override of controls, we:

- Performed analytical procedures to identify any unusual or unexpected relationships;
- Tested journal entries to identify unusual transactions;
- Assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- Investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- Agreeing financial statement disclosures to underlying supporting documentation;
- Reading the minutes of meetings of those charged with governance;
- Enquiring of management as to actual and potential litigation and claims; and
- Reviewing correspondence with HMRC, relevant regulators and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing Standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the Board and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

Independent Auditor's Report

To The Members Of National Merchant Buying Society Limited

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

Use of our report

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 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 society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Rogers Spencer
Statutory Auditors
Chartered Accountants
Nottingham
13 April 2023

Consolidated Revenue Account

for the year ended
31 December 2022

	NOTE	2022	2021
		£000	£000
Transactions	2	2,251,210	2,175,404
Trading Revenue retained		6,565	5,754
Interest on short term bank deposits		344	127
		6,909	5,881
Deduct			
Depreciation of fixed assets	7	340	279
Profit on sale of fixed assets		(10)	(8)
Auditor's remuneration		38	33
Provision for Bad debts including cost of associated insurance premiums	4	420	497
Exchange rate movement		(35)	54
Administration expenses		2,780	2,307
		3,533	3,162
Surplus before taxation		3,376	2,719
Taxation	5	(442)	(368)
Retained surplus for the financial year		2,934	2,351

The notes on pages 18 to 23 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 and losses

There were no recognised gains or losses in 2022 or 2021 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 after tax for the parent company for the year was £2,896,000 (2021: £2,278,000).

Consolidated Balance Sheet

for the year ended
31 December 2022

	NOTE	Group		Company	
		2022	2021	2022	2021
		£000	£000	£000	£000
Fixed Assets					
Tangible Assets	7	1,334	1,286	1,334	1,286
Investments	8	17	17	1,217	1,217
		1,351	1,303	2,551	2,503
Current Assets					
Debtors	9	287,056	263,587	287,056	263,587
Cash at bank and in hand		7,852	16,854	6,678	13,133
		294,908	280,441	293,734	276,720
Creditors					
Amounts falling due within one year	10	281,665	270,160	284,470	269,938
Net Current Assets		13,243	10,281	9,264	6,782
Total Assets less Current Liabilities		14,594	11,584	11,815	9,285
Provisions for liabilities and charges	11	(103)	(89)	(103)	(89)
		14,491	11,495	11,712	9,196
Capital & Reserves					
Called up share capital	12	123	120	123	120
Reserves	13	14,368	11,375	11,589	9,076
		14,491	11,495	11,712	9,196

The notes on pages 18 to 23 form part of these financial statements.

Approved by the Management Board on 13 April 2023.

Consolidated Cash Flow Statement

for the year ended
31 December 2022

	NOTE	2022	2021
		£000	£000
Cash From Operations	16	(8,795)	(17,123)
Corporation tax paid		(235)	(162)
Net Cash (Outflow)/Inflow from Operations		(9,030)	(17,285)
Cash Flow From Investing Activities			
Purchase of tangible fixed assets		(388)	(532)
Sale of tangible fixed assets		10	11
Interest received		344	127
Net Cash Outflow From Investing Activities		(34)	(394)
Cash Flow From Financing Activities			
Issue of share capital		62	57
Net Cash Inflow From Financing Activities		62	57
Net (Decrease)/Increase In Cash And Cash Equivalents		(9,002)	(17,622)
Cash and cash equivalents at the beginning of the year		16,854	34,476
Cash and cash equivalents at the end of the year		7,852	16,854

The notes on pages 18 to 23 form part of these financial statements.

Notes Relating to the Accounts

for the year ended
31 December 2022

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
Software	33 $\frac{1}{3}$ % straight line
NMBS ONEPLACE™	33 $\frac{1}{3}$ % 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 date 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.

Going Concern

The financial statements have been prepared under the going concern basis. In assessing whether the going concern basis is appropriate in the preparation of the financial statements, the Board have prepared profit and cashflow forecasts for a period of more than 12 months from the date the financial statements are approved. These forecasts show that the Society will be able to trade within its facilities and meets its liabilities as they fall due for payment.

2. TRANSACTIONS

	2022	2021
	£000	£000
United Kingdom	2,243,123	2,168,513
Republic of Ireland	8,087	6,891
	2,251,210	2,175,404

Notes Relating to the Accounts

for the year ended
31 December 2022

3. TRADING REVENUE RETAINED	2022	2021
	£000	£000
Discounts and rebates receivable	91,902	87,914
Discounts and rebates allowable	(85,337)	(82,160)
Trading revenue retained	6,565	5,754

4. BAD DEBTS	2022	2021
Bad debt insurance premium	323	318
Specific bad debts and movement in provision	97	179
	420	497

5. EMPLOYEES	2022	2021
Staff costs consist of:	£000	£000
Salaries	2,254	1,935
Social Security Costs	238	180
Pension Costs – defined contribution scheme (note 14)	110	96
Total Staff Costs	2,602	2,211

Staff costs consist of:	No.	No.
The average weekly number of employees, including part-time staff, during the year was:	69	58

Included in payroll costs is £74,370 (2021: £83,472) paid to the non-executive chairman (all costs are inclusive of expenses).

6. TAXATION	2022	2021
Domestic current year tax. UK Corporation Tax at 19%:	£000	£000
Based on the profit for the year	529	336
Total current tax	442	336

Deferred tax		
Origination and reversal of timing differences	14	32
Total deferred tax	14	32
Total Tax	442	368

Notes Relating to the Accounts

for the year ended
31 December 2022

7. TANGIBLE FIXED ASSETS

	Freehold Property	Property Improvements	Software	Office Furniture & Equipment	Motor Vehicles	NMBS MarketPlace	Business Central	Total
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
At 1st January 2022	736	150	500	550	250	491	198	2,875
Additions	0	0	0	8	28	191	161	388
Disposals	0	0	0	0	(25)	0	0	(25)
At 31st December 2022	736	150	500	558	253	682	359	3,238

Depreciation

At 1st January 2022	158	141	488	505	137	160	0	1,589
Charge for year	15	7	9	25	54	201	29	340
Disposals	0	0	0	0	(25)	0	0	(25)
At 31st December 2022	173	148	497	530	166	361	29	1,904

Net Book Value

At 31st December 2022	563	2	3	28	87	321	330	1,334
At 31st December 2021	578	9	12	45	113	331	198	1,286

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

	2022	2021
	£000	£000
Cost	736	736
Accumulated depreciation	(173)	(158)
Net book value	563	578

Notes Relating to the Accounts

for the year ended
31 December 2022

8. FIXED ASSET INVESTMENT

	Investment in subsidiary undertaking	Fixed asset investments	Total	2021
	£000	£000	£000	£000
As at 1st January 2022	1,200	17	1,217	1,217
As at 31st December 2022	1,200	17	1,217	1,217

The Society made annual insurance premium payments of £475,000 (2021: £908,880) to NMBS IC Limited.
The uncalled share capital in NMBS IC Limited is £700,000 (2021: £700,000).

	Group		Company	
9. DEBTORS	2022	2021	2022	2021
Amounts falling due within one year:	£000	£000	£000	£000
Trade debtors and rebates accrued	286,623	262,997	286,623	262,997
Sundry debtors and prepayments	433	590	433	590
	287,056	263,587	287,056	263,587

	Group		Company	
10. CREDITORS	2022	2021	2022	2021
Amounts falling due within one year:	£000	£000	£000	£000
Trade creditors and rebates due to members	277,439	264,223	277,439	264,223
Sundry creditors and accrued charges	1,504	2,130	1,280	1,908
Other taxes and social security	2,722	3,807	2,722	3,807
	281,665	270,160	284,470	269,938

Notes Relating to the Accounts

for the year ended
31 December 2022

11. PROVISIONS FOR LIABILITIES

Deferred tax Liability

£000

Balance at 1st January 2022	89
Revenue Account	14
Balance at 31st December 2022	103

2022

2021

Deferred tax is provided as follows:

£000

£000

Accelerated capital allowances	103	89
	103	89

12. CALLED UP SHARE CAPITAL

2022

2021

Allotted and fully paid:

£000

£000

12,300 (2021: 11,970) shares of £10 each	123	120
--	-----	-----

No.

No.

Members admitted during the year	50	46
Membership terminated during the year	17	28

13. RESERVES

Share Premium Account

Profit and Loss Account

Total

Group

£000

£000

£000

At 1st January 2022	1,684	9,691	11,375
Premium on issues of shares	59	0	59
Transfer from revenue account for the year	0	2,934	2,934
At at 31st December 2022	1,743	12,625	14,368

Share Premium Account

Profit and Loss Account

Total

Company

£000

£000

£000

At 1st January 2022	1,684	7,392	9,076
Premium on issues of shares	59	0	59
Transfer from revenue account for the year	0	2,454	2,454
At at 31st December 2022	1,743	9,846	11,589

Notes Relating to the Accounts

for the year ended
31 December 2022

14. PENSION COSTS

The company operates a defined contribution scheme and contributions are charged in the profit and loss accounts as they accrue. The charge for the year was £110,368 (2021: £95,684).

15. 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 continued its policy paying the Board members for its attendance at Board Meetings. During the year payments totalling £3,020 (2021: £35,580) were paid to Board members. The Captive Cell is also a related party. Details of transactions during the year are included in note 7. During the year the company also received a £3m loan from NMBS IC Limited.

16. NOTES TO THE CASH FLOW STATEMENT

2022

2021

Reconciliation of surplus before taxation to operating cash flows

	£000	£000
Surplus before taxation	3,376	2,719
Interest receivable	(344)	(127)
Depreciation charges	340	279
Profit on sale of tangible assets	(10)	(8)
Increase in debtors	(23,469)	(25,547)
Increase in creditors	11,312	5,561
Net cash (outflow)/inflow from operating activities	(8,795)	(17,123)

17. COMPARISONS

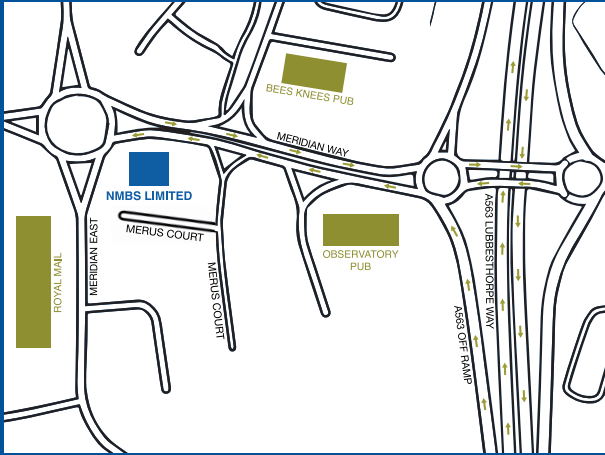
2022

2021

2020

2019

	£000	%	£000	%	£000	%	£000	%
Transactions	2,251,210		2,175,404		1,836,443		1,931,347	
Discounts and rebates receivable	91,902	4.08	87,914	4.04	81,626	4.44	83,890	4.34
Discounts and rebates allowable	85,337	3.79	82,160	3.78	77,273	4.21	79,186	4.10
Revenue retained	6,565	0.29	5,754	0.26	4,353	0.24	4,704	0.24
Administrative expenses	2,751	0.12	2,272	0.10	2,465	0.13	1,440	0.07



By Car - From the Motorway

Exit the M1 at Junction 21 and follow the A5460 Ring Road towards Leicester. Then take the A563 ramp to the Ring Road and at the roundabout take the 3rd exit onto Lubbethorpe Way/A563. Take the exit toward Meridian/Thorpe Astley and then at the roundabout take the first exit onto Meridian Way. Finally take the second exit into Merus Court, once in Merus Court take the first right and park in a bay marked with a number 10.




By Train

The nearest railway station to NMBS is Leicester Railway Station which is only a short taxi ride away.

INVESTORS IN PEOPLE™
We invest in people Platinum

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

0116 253 0531
nmbs.co.uk

 National Merchant Buying Society
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