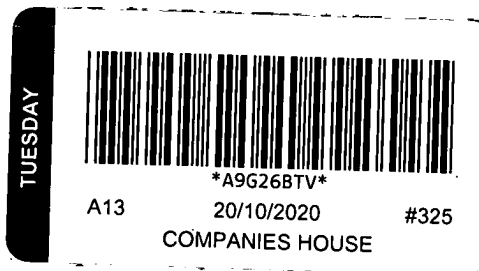


# Financial Statements Kelkay Limited

For the year ended 30 September 2019



Kelkay Limited

Registered Number 04219711

**COMPANY INFORMATION**

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Director	A N Harker (Resigned 9 October 2019) R Pyrah J Wilson R J Hewitt (Resigned 31 August 2019) S A Hupfeld R F Mehmel B G Harris P North (Appointed 6 July 2020) M F Wilson (Appointed 6 July 2020)
Secretary	A N Harker (Resigned 13 February 2018) M F Wilson (Appointed 9 October 2019)
Registered number	04219711
Registered office	The Old Airfield Heck and Pollington Lane Pollington DN14 0BA
Auditor	Grant Thornton UK LLP Chartered Accountants & Senior Statutory Auditor 2 Glass Wharf Bristol BS2 0EL
Bankers	National Westminster Bank Plc 63 North Street Keighley West Yorkshire BD21 3SN  HSBC UK Bank Plc Merit House, Saxon Way Priory Park West, Hessle East Yorkshire HU13 9PB

Kelkay Limited

Registered Number 04219711

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Kelkay Limited

Registered Number 04219711

## **STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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The directors present the strategic report for the year ended 30 September 2019.

### **Fair review of the business**

The Directors are pleased with the Company's performance during the year to 30 September 2019.

The Company's sales revenues remained buoyant, supported by our continued innovative approach to new products and marketing within our sector.

### **Principal risks and uncertainties**

The Company's business may be affected by fluctuations in the price and supply of materials, particularly fluctuations in GBP against the USD. The Company's sales and stock pricing policies seeks to mitigate such risks where possible.

The Company is financed by cash flow and by funding from its ultimate parent company. Interest rate exposure is considered to be low, so no hedging is undertaken.

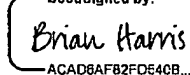
### **Development and performance**

The Company continues to invest in its infrastructure and people.

### **Key performance indicators**

The Company's main specific key performance indicators, are those that can be calculated from the financial statements. Key performance indicators calculated from the financial statements are gross profit margin 20.7% (2018: 27.4%) and operating profit percentage 7.1% (2018: 17.3%).

This report was approved by the board on 14/9/2020 | 09:27 PDT and signed on its behalf.

DocuSigned by:  
  
ACAD6AFB2FDE4CB...

Brian G Harris

**Director**

Kelkay Limited

Registered Number 04219711

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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The directors present their annual report and financial statements for the year ended 30 September 2019.

#### **Principal activities**

The principal activity of the Company continued to be the supply of decorative aggregates, paving and associated garden products, primarily to the Garden Centre Industry.

#### **Directors**

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

A N Harker (resigned 9 October 2019)  
R Pyrah  
J Wilson  
R J Hewitt (resigned 31 August 2019)  
S A Hupfeld  
R F Mehmel  
B G Harris  
P North (appointed 6 July 2020)  
M F Wilson (appointed 6 July 2020)

#### **Results and dividends**

The results for the year are set out on page 9.

The profit for the year, after taxation, amounted to £1,518,367 (2018: £3,335,327). No ordinary dividends were paid during 2019 (2018: £25,000).

#### **Auditor**

The auditor, Grant Thornton UK LLP, has been appointed in accordance with section 485 of the Companies Act 2006.

#### **Statement of directors' responsibilities**

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Kelkay Limited

Registered Number 04219711

**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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**Statement of disclosure to auditor**

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

14/9/2020 | 09:27 PDT

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

DocuSigned by:

*Brian Harris*

ACAD8AF82FD5403...

Brian G Harris

**Director**

Kelkay Limited

Registered Number 04219711



## Independent Auditor's Report to the members of Kelkay Limited

### Opinion

We have audited the financial statements of Kelkay Limited (the 'company') for the year ended 30 September 2019, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity 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 company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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.

### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Kelkay Limited

Registered Number 04219711



## Independent Auditor's Report to the members of Kelkay Limited

### 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.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

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

### Other information

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

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

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

### Matter on which we are required to report under the Companies Act 2006

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.



Kelkay Limited

Registered Number 04219711



## Independent Auditor's Report to the members of Kelkay Limited

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

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.

### Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [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, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Timothy Lincoln


Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Bristol

Date: 14/9/2020 | 20:19 BST

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Kelkay Limited

Registered Number 04219711

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	Notes	2019 £	2018 £
Turnover	3	26,186,183	23,971,338
Cost of sales		(20,772,834)	(17,399,870)
<b>Gross profit</b>		<b>5,413,349</b>	<b>6,571,468</b>
Administrative expenses		(3,565,410)	(2,433,244)
<b>Operating profit</b>	4	<b>1,847,939</b>	<b>4,138,224</b>
Interest receivable and similar income	7	1,655	2,161
Interest payable and similar expenses	8	(2,601)	(24,280)
<b>Profit before taxation</b>		<b>1,846,993</b>	<b>4,116,105</b>
Tax on profit	9	(328,626)	(780,778)
<b>Profit for the financial year</b>		<b>1,518,367</b>	<b>3,335,327</b>

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

There was no other comprehensive income for 2019 (2018: £nil).

The notes on pages 12 – 24 form part of the financial statements.

Kelkay Limited

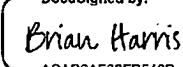
Registered Number 04219711

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2019**

		2019	2018
	Notes	£	£
<b>Fixed Assets</b>			
Tangible assets	12	5,734,088	5,000,245
Intangible assets	11	676,138	752,682
<b>Current assets</b>			
Stocks	13	3,767,814	3,571,117
Debtors	14	7,325,808	5,371,621
Cash at bank and in hand		3,322,229	4,167,748
		<u>14,415,851</u>	<u>13,110,486</u>
Creditors: amounts falling due within one year	15	(4,941,233)	(4,274,807)
<b>Net current assets</b>		<u>9,474,618</u>	<u>8,835,679</u>
<b>Total assets less current liabilities</b>		<u>15,884,844</u>	<u>14,588,606</u>
Creditors: amounts falling due after more than one year	16		(289,193)
Provisions for liabilities	17	(183,775)	(116,711)
<b>Net assets</b>		<u>15,701,069</u>	<u>14,182,702</u>
<b>Capital and reserves</b>			
Called up share capital	20	1,000	1,000
Profit and loss reserves		15,700,069	14,181,702
<b>Total equity</b>		<u>15,701,069</u>	<u>14,182,702</u>

The notes on pages 12 – 24 form part of the financial statements.

The financial statements were approved by the board of directors and authorised for issue on 14/9/2020 | 09:27 PDT and are signed on its behalf by:

DocuSigned by:  
  
 Brian G Harris  
 ACAD6AF82FD540B...  
 Director

Kelkay Limited

Registered Number 04219711

**STATEMENT OF CHANGES IN EQUITY**  
**AS AT 30 SEPTEMBER 2019**

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
<b>Balance at 1 October 2017</b>		1,000	10,871,375	10,872,375
Year ended 30 September 2018:				
Profit and total comprehensive income for the year		-	3,335,327	3,335,327
Dividends	10	-	(25,000)	(25,000)
<b>Balance at 30 September 2018</b>		<b>1,000</b>	<b>14,181,702</b>	<b>14,182,702</b>
Year ended 30 September 2019:				
Profit and total comprehensive income for the year		-	1,518,367	1,518,367
Dividends	10	-	-	-
<b>Balance at 30 September 2019</b>		<b>1,000</b>	<b>15,700,069</b>	<b>15,701,069</b>

The notes on pages 12 – 24 form part of the financial statements.

Kelkay Limited

Registered Number 04219711

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2019

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#### 1 Accounting policies

##### Company information

Kelkay Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Old Airfield, Heck and Pollington Lane, Pollington, East Yorkshire, DN14 0BA.

The principal activity of the Company continued to be the supply of decorative aggregates, paving and associated garden products, primarily to the Garden Centre Industry.

##### 1.1 Accounting convention

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

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

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of The Ames Companies UK Limited as at 30 September 2019 and these financial statements may be obtained from The Old Airfield, Heck and Pollington Lane, Pollington, East Yorkshire, DN14 0BA.

##### 1.2 Going concern

The directors have reviewed the profit and loss and cashflow forecast of the company. Despite the macro-economic uncertainties the UK faces in Covid-19 and Brexit, post year end cash shortfalls, have been addressed by obtaining funding from the ultimate parent company. The company does not forecast that further funding will be required and actual results are positive compared to conservative forecasts. As a result the directors consider that the company has adequate resources to continue operations for the foreseeable future, being a period of not less than twelve months from the date of signing the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Kelkay Limited

Registered Number 04219711

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2019

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#### 1 Accounting policies (continued)

##### 1.3 Turnover

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

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### 1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

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

Freehold land and buildings	2% straight line (excluding land)
Plant and machinery	10% and 20% straight line
Fixtures, fittings and equipment	20% and 33% straight line
Motor vehicles	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is credited or charged to profit or loss.

##### 1.5 Impairment of fixed assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2019

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#### 1 Accounting policies (continued)

##### 1.6 Stocks

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

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

##### 1.7 Cash and cash equivalents

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

##### 1.8 Financial instruments

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

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

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

##### *Basic financial assets*

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### *Other financial assets*

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2019

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#### 1 Accounting policies (continued)

##### 1.8 Financial instruments (continued)

###### *Impairment of financial assets*

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

###### *Derecognition of financial assets*

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

###### *Classification of financial liabilities*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

###### *Basic financial liabilities*

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

###### *Derecognition of financial liabilities*

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

##### 1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2019

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#### 1 Accounting policies (continued)

##### 1.10 Taxation

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

###### *Current tax*

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

###### *Deferred tax*

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

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

##### 1.11 Employee benefits

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

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

##### 1.12 Retirement benefits

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

##### 1.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2019

#### 1 Accounting policies (continued)

##### 1.14 Foreign currency translations

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

#### 2 Judgements and key sources of estimation uncertainty

In preparing financial statements in accordance with FRS 102, management is required to make judgments on the basis of estimates and assumptions that affect the reported amount of assets and liabilities at the reporting date.

Management reviews the estimates and assumptions on a continuous basis, by reference to past experiences and other factors that can reasonably be used to assess the book value of assets and liabilities. Actual results may differ from those estimates.

Judgments and estimates that have the most significant impact on the amounts reported in these financial statements and have a risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below:

- Useful lives of tangible assets - management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.
- Inventory provision - management reviews its stock listing to identify potentially obsolete stock.
- Warranty, credit note and bad debt provision - management identifies potential provisions based on past experience with warranty and credit note claims as well as customer knowledge.

#### 3 Turnover

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

	2019	2018
	£	£
<b>Turnover</b>		
Sales of goods	<u>26,186,183</u>	<u>23,971,338</u>
	2019	2018
	£	£
<b>Turnover analysed by geographical market</b>		
United Kingdom	25,748,181	23,829,793
Rest of the world	438,002	141,545
	<u>26,186,183</u>	<u>23,971,338</u>

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2019

#### 4 Operating Profit

	2019	2018
Operating profit for the year is stated after charging/(crediting):	£	£
Fees payable to the company's auditor for the audit of the company's financial statements	23,000	22,500
Depreciation of owned tangible fixed assets	522,530	469,245
Amortisation of intangible assets	76,544	12,757
(Profit) / loss on disposal of tangible fixed assets	<u>(18,430)</u>	<u>8,970</u>

#### 5 Employees

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

	2019 Number	2018 Number
Production staff	100	67
Administrative staff	39	31
Directors	7	3
	<u>146</u>	<u>101</u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries (including commissions payable to third parties)	4,255,490	2,823,112
Social security costs	415,987	268,814
Pension costs	64,888	29,339
	<u>4,736,365</u>	<u>3,121,265</u>

#### 6 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	528,100	329,845
Company pension contributions to defined contribution schemes	3,350	67,545
	<u>531,450</u>	<u>397,390</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2018 - 4).

As a result of the acquisition of Kelkay Limited by The Ames Companies UK Limited as at 13 February 2018, some of the Directors are now paid by the parent company or related party companies.

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2019

#### 6 Directors' remuneration (continued)

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

	2019	2018
	£	£
Remuneration for qualifying services	325,000	137,333
Company pension contributions to defined contribution schemes	1,095	10,521

#### 7 Interest receivable and similar income

	2019	2018
	£	£
Interest income		
Interest on bank deposits	1,655	2,161

#### 8 Interest payable and similar expenses

	2019	2018
	£	£
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	1	37
Interest on finance leases and hire purchase contracts	544	1,127
Interest on late paid Corporation tax	2,056	23,116
	2,601	24,280

#### 9 Taxation

	2019	2018
	£	£
<b>Current tax</b>		
UK corporation tax on profits for the current period	311,602	803,476
Adjustments in respect of prior periods	(6,775)	-
Total current tax	304,827	803,476
<b>Deferred tax</b>		
Origination and reversal of timing differences	36,969	(22,698)
Adjustments in respect of prior periods	(13,170)	-
	23,799	(22,698)
Total tax charge	328,626	780,778

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2019

#### 9 Taxation (continued)

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

	2019 £	2018 £
Profit before taxation	1,846,993	4,116,105
Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2018: 19%)	350,929	782,060
Tax effect of expenses that are not deductible in determining taxable	24	3,420
Effect of change in corporation tax rate	(4,350)	(12,430)
Group relief	(29,150)	(4,567)
Ineligible depreciation	31,118	12,295
Adjustments to tax charge in respect of previous periods	(6,775)	-
Adjustments to tax charge in respect of previous periods – deferred tax	(13,170)	-
Taxation for the year	328,626	780,778

#### 10 Dividends

	2019 £	2018 £
Interim paid	-	25,000

#### 11 Intangible assets

	Goodwill £
<b>Cost</b>	
At 1 October 2018	1,486,794
Additions	-
Cost at 30 September 2019	1,486,794
<b>Amortisation and impairment</b>	
At 1 October 2018	(734,112)
Amortisation charge for the year	(76,544)
Cumulative amortisation at 30 September 2019	(810,656)
<b>Carrying amount</b>	
At 30 September 2019	676,138
At 30 September 2018	752,682

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**12 Tangible fixed assets**

	Freehold land and buildings	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 October 2018	3,766,829	3,667,354	424,800	280,784	8,139,767
Additions	451,663	449,866	256,956	131,878	1,290,363
Disposals	-	(17,083)	-	(87,057)	(104,140)
At 30 September 2019	4,218,492	4,100,137	681,756	325,605	9,325,990
Depreciation and impairment					
At 1 October 2018	566,645	2,194,782	269,249	108,846	3,139,522
Depreciation charged in the year	67,901	287,590	83,571	83,468	522,530
Disposals	-	(5,979)	-	(64,171)	(70,150)
At 30 September 2019	634,546	2,476,393	352,820	128,143	3,591,902
Carrying amount					
At 30 September 2019	3,583,946	1,623,744	328,936	197,462	5,734,088
At 30 September 2018	3,200,184	1,472,572	155,551	171,938	5,000,245

**13 Stocks**

	2019 £	2018 £
Finished goods and goods for resale	3,767,814	3,571,117

**14 Debtors**

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	3,422,286	5,246,567
Intercompany Loans	3,372,140	-
Other debtors	-	20,213
Prepayments and accrued income	161,071	95,491
Corporation tax assets	317,696	-
Deferred tax assets (see note 18)	52,615	9,350
	7,325,808	5,371,621

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**15 Creditors: amounts falling due within one year**

	2019	2018
	£	£
Obligations under finance leases	2,974	38,625
Trade creditors	1,838,950	2,135,822
Intercompany creditor	406,100	400,000
Corporation tax	-	315,476
Other taxation and social security	478,165	118,882
Accruals and Other creditors	2,215,044	1,266,002
	<u>4,941,233</u>	<u>4,274,807</u>

**16 Creditors: amounts falling due after more than one year**

	2019	2018
	£	£
Obligations under finance leases	-	6,193
Other Creditors	-	283,000
	<u>-</u>	<u>289,193</u>

**17 Provisions for liabilities**

	2019	2018
	£	£
Deferred tax liabilities	Note 18 <u>183,775</u>	<u>116,711</u>

**18 Deferred taxation**

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

	Liabilities	Assets	Liabilities	Assets
	2019	2019	2018	2018
Balances:	£	£	£	£
Accelerated capital allowances	183,775	-	116,711	-
Provisions	-	52,615	-	9,350
	<u>183,775</u>	<u>52,615</u>	<u>116,711</u>	<u>9,350</u>

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2019

#### 18 Deferred taxation (continued)

Movements in the year:	Liability 2019 £	Asset 2019 £
Asset / (Liability) at 1 October 2018	(116,711)	9,350
(Charge) / Credit to profit or loss	(67,064)	43,265
Asset / (Liability) at 30 September 2019	<u>(183,775)</u>	<u>52,615</u>

#### 19 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>64,888</u>	<u>29,339</u>

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

#### 20 Share capital

	2019 £	2018 £
Ordinary Share Capital – issued and fully paid		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

#### 21 Commitments

The company has future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	67,000	67,000
Later than 1 year and not later than 5 years	268,000	268,000
Later than 5 years	72,583	139,583
	<u>407,583</u>	<u>474,583</u>

Amounts contracted for but not provided in the financial statements:

	2019 £	2019 £
Acquisition of tangible fixed asset	<u>624,000</u>	<u>-</u>



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## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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#### **22 Related party transactions**

During the year the company made sales of £97,659 (2018: £27,115) to Ames Australasia Pty Ltd. All other related party transactions in the period were between wholly owned subsidiaries or with the parent of the group.

#### **23 Controlling party**

On 13 February 2018, the shares in the Company's parent, Altia Holdings Limited, were acquired by The Ames Companies UK Limited. As a result, the ultimate controlling party of Kelkay Limited is Griffon Corporation, incorporated in the United States of America, by way of its ownership of The Ames Companies UK Limited. The smallest group of undertakings for which group accounts have been drawn up is that headed by The Ames Companies UK Limited. The largest group of undertakings for which group accounts have been drawn up is that headed by Griffon Corporation.