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Company Registration No. 04219711 (England and Wales)

KELKAY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

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COMPANY INFORMATION

Director

A N Harker
HJ Thomis (Resigned 13 Feb 2018)
R Pyrah
J Wilson
R Hewitt
S A Hupfeld (Appointed 13 Feb 2018)
R F Mehmel (Appointed 13 Feb 2018)
B G Harris (Appointed 13 Feb 2018)

Secretary A N Harker

Company 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 Bank Plc
Priory Park West
Saxon Way Hessle
HU13 9PB

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FOR THE YEAR ENDED 30 September 2018

The directors present the strategic report for the year ended 30 September 2018.

Fair review of the business

The Directors are pleased with the Company's performance during the year to 30 September 2018.

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 although the Company's sales and stock pricing policy seeks to mitigate such risks where possible.

The Company is financed by cash flow and by funding from its 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.

During the year, the Company made further progress with the introduction of environmental standard EN14000 together with the gradual implementation of ISO9001.

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 27.4% (2017: 28.1%) and EBITDA £4,620,266 (2017: £5,013,146).

This report was approved by the board on 25 June 2019 and signed on its behalf.



A N Harker
Director

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 September 2018

The directors present their annual report and financial statements for the year ended 30 September 2018.

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
HJ Thomis (Resigned 13 Feb 2018)
R Pyrah
J Wilson
R Hewitt
S A Hupfeld (Appointed 13 Feb 2018)
R F Mehmel (Appointed 13 Feb 2018)
B G Harris (Appointed 13 Feb 2018)

Results and dividends

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

The profit for the year, after taxation, amounted to £3,335,327. An interim ordinary dividend was paid amounting to £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

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 September 2018

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.

This report was approved by the board on 25 June 2019 and signed on its behalf.



A N Harker
Director

KELKAY LIMITED

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 2018, 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 2018 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.

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.

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.

KELKAY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KELKAY LIMITED (continued)

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.

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. This description forms part of our auditor's report.

KELKAY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KELKAY LIMITED (continued)

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.



Tim Lincoln
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Bristol

Date:

26 June 2019

KELKAY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 September 2018

| | Notes | 2018 £ | 2017 £ |
|--|-------|------------------|------------------|
| Turnover | 3 | 23,971,338 | 23,605,025 |
| Cost of sales | | (17,399,870) | (16,969,861) |
| Gross profit | | 6,571,468 | 6,635,164 |
| Administrative expenses | | (2,433,244) | (1,969,543) |
| Operating profit | 4 | 4,138,224 | 4,665,621 |
| Interest receivable and similar income | 7 | 2,161 | 2,451 |
| Interest payable and similar expenses | 8 | (24,280) | (11,611) |
| Profit before taxation | | 4,116,105 | 4,656,461 |
| Tax on profit | 9 | (780,778) | (913,672) |
| Profit for the financial year | | 3,335,327 | 3,742,789 |

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

There was no other comprehensive income for 208 (2017: £Nil).

The notes on pages 12 – 23 form part of the financial statements.

KELKAY LIMITED

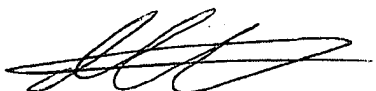
STATEMENT OF FINANCIAL POSITION

AS AT 30 September 2018

| | Notes | 2018 £ | 2017 £ |
|--|-------|-------------|-------------|
| Fixed assets | | | |
| Tangible assets | 12 | 5,000,245 | 4,556,012 |
| Intangible assets | 11 | 752,682 | |
| Current assets | | | |
| Stocks | 13 | 3,571,117 | 2,435,123 |
| Debtors | 14 | 5,371,621 | 3,996,764 |
| Cash at bank and in hand | | 4,167,748 | 4,388,146 |
| | | 13,110,486 | 10,820,033 |
| Creditors: amounts falling due within one year | 15 | (4,274,807) | (4,328,792) |
| Net current assets | | 8,835,679 | 6,491,241 |
| Total assets less current liabilities | | 14,588,606 | 11,047,253 |
| Creditors: amounts falling due after more than one year | 16 | (289,193) | (44,818) |
| Provisions for liabilities | 17 | (116,711) | (130,060) |
| Net assets | | 14,182,702 | 10,872,375 |
| Capital and reserves | | | |
| Called up share capital | 20 | 1,000 | 1,000 |
| Profit and loss reserves | | 14,181,702 | 10,871,375 |
| Total equity | | 14,182,702 | 10,872,375 |

The notes on pages 12 – 23 form part of the financial statements.

The financial statements were approved by the board of directors and authorised for issue on 25 June 2019 and are signed on its behalf by:



A N Harker
Director

Company Registration No. 04219711

KELKAY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 September 2018

| | Notes | Share capital £ | Profit and loss reserves £ | Total £ |
|--|-------|--------------------|-------------------------------|-------------|
| Balance at 1 October 2016 | | 1,000 | 10,218,586 | 10,219,586 |
| Year ended 30 September 2017: | | | | |
| Profit and total comprehensive income for the year | | - | 3,742,789 | 3,742,789 |
| Dividends | 10 | - | (3,090,000) | (3,090,000) |
| Balance at 30 September 2017 | | 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) |
| Balance at 30 September 2018 | | 1,000 | 14,181,702 | 14,182,702 |

The notes on pages 12 – 23 form part of the financial statements

KELKAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 September 2018

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.

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 2018 and these financial statements may be obtained from Hangar 27 Site C, Aston Down Airfield, Stroud, Gloucester, GL6 8HR.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The company traded profitably again during the year and held approximately £4,168k of cash and bank at the year end. After a detailed review of the company's resources and future prospects, the directors are confident that the company has sufficient cash flows to meet its liabilities as they fall due for at least one year from the date of approval of the financial statements.

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.

KELKAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 September 2018

1 Accounting policies

(Continued)

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.

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.

KELKAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 September 2018

1 Accounting policies

(Continued)

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.

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 recognized. 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.

KELKAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 September 2018

1 Accounting policies

(Continued)

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.

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.

KELKAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 September 2018

1 Accounting policies

(Continued)

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.

1.14 Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

1.15 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.

KELKAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 September 2018

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 and other revenue

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

| | 2018 £ | 2017 £ |
|---|-------------------|-------------------|
| Turnover | | |
| Sales of goods | 23,971,338 | 23,605,025 |
| | <u>23,971,338</u> | <u>23,605,025</u> |
| Turnover analysed by geographical market | | |
| | 2018 £ | 2017 £ |
| United Kingdom | 23,829,793 | 23,605,025 |
| Rest of the world | 141,545 | - |
| | <u>23,971,338</u> | <u>23,605,025</u> |

KELKAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 September 2018

4 Operating profit

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| 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 | 22,500 | 7,500 |
| Depreciation of owned tangible fixed assets | 469,245 | 347,525 |
| Amortisation of intangible assets | 12,757 | - |
| Profit on disposal of tangible fixed assets | 8,970 | - |

5 Employees

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

| | 2018 Number | 2017 Number |
|----------------------|----------------|----------------|
| Production staff | 67 | 58 |
| Administrative staff | 31 | 31 |
| Directors | 3 | 4 |
| | 101 | 93 |

Their aggregate remuneration comprised:

| | 2018 £ | 2017 £ |
|---|------------------|------------------|
| Wages and salaries (including commissions payable to third parties) | 2,823,112 | 2,704,075 |
| Social security costs | 268,814 | 213,631 |
| Pension costs | 29,339 | 18,720 |
| | 3,121,265 | 2,936,426 |

6 Directors' remuneration

| | 2018 £ | 2017 £ |
|---|----------------|----------------|
| Remuneration for qualifying services | 329,845 | 213,598 |
| Company pension contributions to defined contribution schemes | 67,545 | 7,365 |
| | 397,390 | 220,963 |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2017 - 2).

KELKAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 September 2018

6 Directors' remuneration (Continued)

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

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| Remuneration for qualifying services | 137,333 | 129,415 |
| Company pension contributions to defined contribution schemes | 10,521 | 378 |

7 Interest receivable and similar income

| | 2018 £ | 2017 £ |
|---------------------------|-----------|-----------|
| Interest income | | |
| Interest on bank deposits | 2,161 | 2,451 |

8 Interest payable and similar expenses

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| Interest on financial liabilities measured at amortised cost: | | |
| Interest on bank overdrafts and loans | 37 | 10,341 |
| Interest on finance leases and hire purchase contracts | 1,127 | 1,270 |
| Interest on late paid Corporation tax | 23,116 | - |
| | 24,280 | 11,611 |

9 Taxation

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| Current tax | | |
| UK corporation tax on profits for the current period | 803,476 | 888,445 |
| Adjustments in respect of prior periods | - | (1,424) |
| Total current tax | 803,476 | 887,021 |
| Deferred tax | | |
| Origination and reversal of timing differences | (22,698) | 26,651 |
| Total tax charge | 780,778 | 913,672 |

KELKAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 September 2018

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:

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| Profit before taxation | 4,116,105 | 4,656,461 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2017: 19%) | 782,060 | 884,728 |
| Tax effect of expenses that are not deductible in determining taxable profit | 3,420 | 3,458 |
| Effect of change in corporation tax rate | (12,430) | 17,551 |
| Group relief | (4,567) | (528) |
| Ineligible depreciation | 12,295 | 9,887 |
| Under/(over) provided in prior years | - | (1,424) |
| Taxation for the year | 780,778 | 913,672 |

10 Dividends

| | 2018 £ | 2017 £ |
|--------------|-----------|-----------|
| Interim paid | 25,000 | 3,090,000 |

11 Intangible assets

| | Goodwill £ |
|--|---------------|
| Cost | |
| At 1 October 2017 | 721,355 |
| Additions | 765,439 |
| Cost at 30 September 2018 | 1,486,794 |
| Amortisation and impairment | |
| At 1 October 2017 | (721,355) |
| Amortisation charge for the year | (12,757) |
| Cumulative amortisation at 30 September 2018 | (734,112) |
| Carrying amount | |
| At 30 September 2018 | 752,682 |
| At 30 September 2017 | - |

KELKAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 September 2018

The Company purchased the business assets of Anchorfast Limited on 27th July 2018. The Company acquired net assets of £291,891 for total consideration of £1,057,330 resulting in the recognition of goodwill amounting to £765,439.

12 Tangible fixed assets

| | Freehold land and buildings | Plant and machinery | Fixtures, fittings and equipment | Motor vehicles | Total |
|------------------------------------|--------------------------------|------------------------|--|-------------------|-----------|
| | £ | £ | £ | £ | £ |
| Cost | | | | | |
| At 1 October 2017 | 3,177,421 | 3,472,651 | 376,890 | 280,748 | 7,307,710 |
| Additions | 589,408 | 197,358 | 47,910 | 138,082 | 972,758 |
| Disposals | - | (2,655) | - | (138,046) | (140,701) |
| At 30 September 2018 | 3,766,829 | 3,667,354 | 424,800 | 280,784 | 8,139,767 |
| Depreciation and impairment | | | | | |
| At 1 October 2017 | 509,074 | 1,901,351 | 209,680 | 131,593 | 2,751,698 |
| Depreciation charged in the year | 57,571 | 293,470 | 59,569 | 58,635 | 469,245 |
| Disposals | - | (39) | - | (81,382) | (81,421) |
| At 30 September 2018 | 566,645 | 2,194,782 | 269,249 | 108,846 | 3,139,522 |
| Carrying amount | | | | | |
| At 30 September 2018 | 3,200,184 | 1,472,572 | 155,551 | 171,938 | 5,000,245 |
| At 30 September 2017 | 2,668,347 | 1,571,300 | 167,210 | 149,155 | 4,556,012 |

13 Stocks

| | 2018 £ | 2017 £ |
|-------------------------------------|-----------|-----------|
| Finished goods and goods for resale | 3,571,117 | 2,435,123 |

14 Debtors

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| Amounts falling due within one year: | | |
| Trade debtors | 5,246,567 | 3,844,657 |
| Other debtors | 20,213 | 79,833 |
| Prepayments and accrued income | 95,491 | 72,274 |
| Deferred tax assets (see note 18) | 9,350 | - |
| | 5,371,621 | 3,996,764 |

KELKAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 September 2018

15 Creditors: amounts falling due within one year

| | 2018 £ | 2017 £ |
|------------------------------------|------------------|------------------|
| Obligations under finance leases | 38,625 | 38,625 |
| Trade creditors | 2,135,822 | 1,831,164 |
| Intercompany creditor | 400,000 | 25,000 |
| Corporation tax | 315,476 | 888,445 |
| Other taxation and social security | 118,882 | 674,091 |
| Accruals and Other creditors | 1,266,002 | 871,467 |
| | <u>4,274,807</u> | <u>4,328,792</u> |

16 Creditors: amounts falling due after more than one year

| | 2018 £ | 2017 £ |
|----------------------------------|----------------|---------------|
| Obligations under finance leases | 6,193 | 44,818 |
| Other Creditors | 283,000 | - |
| | <u>289,193</u> | <u>44,818</u> |

17 Provisions for liabilities

| | Notes | 2018 £ | 2017 £ |
|--------------------------|-------|-----------|-----------|
| Deferred tax liabilities | 18 | 116,711 | 130,060 |

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 2018 £ | Assets 2018 £ | Liabilities 2017 £ | Assets 2017 £ |
|--------------------------------|--------------------------|---------------------|--------------------------|---------------------|
| Balances: | | | | |
| Accelerated capital allowances | 116,711 | - | 130,060 | - |
| Provisions | - | 9,350 | - | - |
| | <u>116,711</u> | <u>9,350</u> | <u>130,060</u> | <u>-</u> |

KELKAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 September 2018

18 Deferred taxation (Continued)

| | Liability 2018 £ | Asset 2018 £ |
|--|------------------------|--------------------|
| Movements in the year: | | |
| Asset / Liability at 1 October 2017 | 130,060 | - |
| Charge to profit or loss | (13,349) | 9,350 |
| Asset / Liability at 30 September 2018 | <u>116,711</u> | <u>9,350</u> |

19 Retirement benefit schemes

| | 2018 £ | 2017 £ |
|---|---------------|---------------|
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | <u>29,339</u> | <u>18,720</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

| | 2018 £ | 2017 £ |
|---|--------------|--------------|
| Ordinary share capital Issued and fully paid | | |
| 1,000 Ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> |
| | <u>1,000</u> | <u>1,000</u> |

21 Commitments

The Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2018 £ | 2017 £ |
|--|----------------|-----------|
| Not later than 1 year | 67,000 | - |
| Later than 1 year and not later than 5 years | 268,000 | - |
| Later than 5 years | <u>139,583</u> | <u>-</u> |
| | <u>474,583</u> | <u>-</u> |

Amounts contracted for but not provided in the financial statements:

| | 2018 £ | 2017 £ |
|--------------------------------------|-----------|----------------|
| Acquisition of tangible fixed assets | <u>-</u> | <u>428,000</u> |

KELKAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 September 2018

22 Related party transactions

During the year the company made sales of £27,115 (2017: nil) 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.

At the year end, the Company has an intercompany liability of £400,000 (2017: 25,000) due to its parent, Altia Holdings Limited.

In the prior year, the company operated from premises owned by A&H Properties, a partnership between A N Harker and H J Thomis. During the prior year the company was charged rent and services charges by A&H Properties of £12,000 (2017: £10,000).

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.