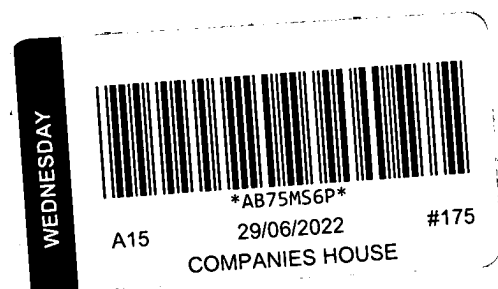


Registration number: 04219711

KELKAY LIMITED
Annual Report and Financial Statements
for the Year Ended 30 September 2021



Kelkay Limited

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Kelkay Limited

Company Information

Directors M F Wilson
P North
B G Harris
W C Durborow

Company secretary M F Wilson

Registered office The Old Airfield
Heck And Pollington Lane
Pollington
East Yorkshire
DN14 0BA

Auditor Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
2 Glass Wharf
Bristol
BS2 0EL

Kelkay Limited

Strategic Report for the Year Ended 30 September 2021

The directors present their strategic report for the year ended 30 September 2021.

Principal activity

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

Fair review of the business

Despite the continued macro-economic uncertainties the UK faces in Covid-19 and Brexit, the Directors are satisfied with the Group's performance during the year ending 30 September 2021. The Company's sales revenues remained buoyant, supported by our continued innovative approach to new products and marketing within our sector and the board is pleased to report a 22.5% increase in revenues for the period.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2021	2020
Gross margin	%	11.8	14.9
Operating profit	%	1.7	.5

During the financial year 2021, as the Government continued to introduce Covid-19 easing measures, the company further invested in additional measures, on top of those implemented in 2020, to protect staff, customers and suppliers and ensured that working practices were in line with Government guidelines.

Post lockdown, as a result of Global shortages in supply and freight, the company has faced significant increases in input costs which adversely impacted Gross Margin.

In 2021 the company continued to invest in projects to invest further in its infrastructure, systems products and people. These projects are expected to continue into financial year 2023 and will have a short- term impact of increasing the cost base of the business, in line with Group expectations, and will facilitate incremental growth thereafter as these projects reach completion.

Principal risks and uncertainties

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

Some of the retail customers review product ranging on an annual basis leading into the next season. This presents uncertainties with regards to confirmed ranging year on year. The Company's strong relationship with customers and innovative product minimises this risk.

Kelkay Limited

Strategic Report for the Year Ended 30 September 2021 (continued)

Engagement with employees

Our employees are our greatest asset and our success relies on the application of their knowledge and skills. We aim to be an employer of choice and a responsible employer in our approach to pay and benefits, and the health, safety and well-being of our employees is always a primary consideration. We communicate with employees through a variety of channels including management site visits, departmental meetings, AMES Talk, whole company presentations and the Company Intranet.

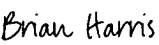
The company is committed to the development of employee consultation and thereby to the greater involvement of employees in the company's operations and future strategy. Consultation is achieved on both a formal and informal basis through work committees, briefing sessions and discussions with groups of employees.

Engagement with suppliers, customers and other relationships

Meeting the needs of customers now and developing our offering so that we can continue to meet and exceed their needs into the future, requires regular engagement. Customer requirements are always taken into consideration during new product development along with assessment of the demand curve over the coming months. Our aim is to be a supplier and customer of choice to our customers and suppliers. We expect our suppliers to operate ethically, taking due consideration for the safety and well-being of their workers while minimising their environmental impacts. By working closely with and setting high standards for our suppliers, we reduce operating and reputational risk and promote the long term success of the company. This is achieved through regular meetings, both virtually and physically.

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Approved and authorised by the Board on and signed on its behalf by:

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.....ACAD6AF82FD540B.....
B G Harris
Director

Kelkay Limited

Directors' Report for the Year Ended 30 September 2021

The directors present their report and the financial statements for the year ended 30 September 2021.

Directors of the company

The directors who held office during the year were as follows:

M F Wilson
J Wilson (resigned 31 December 2021)
R Pyrah (resigned 16 July 2021)
P North
B G Harris
W C Durborow (appointed 30 June 2021)

Financial instruments

Objectives and policies

The company finances its activities with a combination of finance leases and hire purchase contracts, cash, intergroup funding and short term deposits. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities.

Price risk, credit risk, liquidity risk and cash flow risk

Price risk

Price risk is the risk that changes in raw material prices have the potential to impact on the profitability of the company. The company's sales and pricing policies seek to mitigate such risks where possible

Credit risk

Credit risk is the risk that one party of a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. Company policies are aimed at minimising such losses and require customers to satisfy credit worthiness procedures prior to acceptance of contracts. The company does not consider that it is materially exposed to credit risk.

Cash flow and liquidity risk

Cash flow and liquidity risk is the risk that a company's available cash will not be sufficient to meet its financial obligations. The company actively manages its cash flow position including collection of debts and timely payment of creditors. Due to the seasonality of Company's working capital requirements, the company uses a combination of finance leases and hire purchase contracts, cash, intergroup funding and short term deposits to minimise the Company's exposure to cash flow and liquidity risk.

Foreign Exchange risk

Foreign exchange risk refers to the potential for loss from exposure to foreign exchange rate fluctuations. Company policies are aimed at minimising this risk. The company does not consider that it is materially exposed to foreign exchange risk.

Future developments

The Company continues to invest in its infrastructure and people.

Kelkay Limited

Directors' Report for the Year Ended 30 September 2021 (continued)

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. Based on the forecast trading, profitability and liquidity for 2022 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 financial statements.

Disclosure of information to the auditor

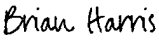
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditor

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Grant Thornton UK LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

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Approved and authorised by the Board on and signed on its behalf by:

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ACAD6AF82FD540B...
B G Harris
Director

Kelkay Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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 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; and
- 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.

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Approved by the Board on and signed on its behalf by:

DocuSigned by:

Brian Harris

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B G Harris
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 2021, which comprise the Income Statement, 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 2021 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 are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.



Kelkay Limited

Independent Auditor's Report to the Members of Kelkay Limited (continued)

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and 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 our 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 and the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

As explained more fully in the Statement of Directors' Responsibilities, 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.



Kelkay Limited

Independent Auditor's Report to the Members of Kelkay Limited (continued)

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the financial reporting framework (Financial Reporting Standard 102, Companies Act 2006 and the tax legislation relevant to the jurisdiction in which the company operates); health and safety, employee matters, environmental and bribery and corruption procedures;
- We enquired of management and those charged with governance as to whether they are aware of any non-compliance with laws and regulations and whether they had knowledge of actual, suspected or alleged fraud. We corroborated the results of our enquiries to board minutes and other supporting documentation;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with different parts of the business, including the finance team and the IT department, to understand where it is considered there was a susceptibility of fraud;
- In assessing the potential risk of material misstatement, we obtained an understanding of:
 - o The company's operations, including the nature of its revenue sources and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risk of material misstatement;
 - o the company's control environment including:
 - o the finance system and controls, including the controls over journal postings that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud, and how senior management monitor the finance system and the controls;




Kelkay Limited

Independent Auditor's Report to the Members of Kelkay Limited (continued)

- o Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. Our audit procedures involved: journal entry testing, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and
 - o In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- We also considered the key performance indicators and their propensity to influence efforts made by management to manage earnings;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - o Understanding of, and practical experience with, the audit engagements of similar nature and complexity through appropriate training and participation;
 - o Knowledge of the industry in which the company operates; and
 - o Understanding of the legal and regulatory requirements specific to the company.
- We did not identify any matters relating to non-compliance with laws and regulations or relating to fraud.

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.

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Timothy Lincoln BA ACA
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
2 Glass Wharf
Bristol
BS2 0EL

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Date:.....

Kelkay Limited

Income Statement for the Year Ended 30 September 2021

	Note	2021 £	2020 £
Turnover	3	35,560,941	28,618,083
Cost of sales		<u>(31,371,552)</u>	<u>(24,357,807)</u>
Gross profit		4,189,389	4,260,276
Administrative expenses		(4,177,842)	(4,575,716)
Other operating income	4	<u>588,204</u>	<u>456,470</u>
Operating profit	5	599,751	141,030
Interest payable and similar expenses	6	<u>(14,438)</u>	<u>(10,872)</u>
Profit before tax		585,313	130,158
Taxation	10	<u>(272,887)</u>	<u>(64,551)</u>
Profit for the financial year		<u><u>312,426</u></u>	<u><u>65,607</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 14 to 28 form an integral part of these financial statements.

Kelkay Limited**(Registration number: 04219711)****Statement of Financial Position as at 30 September 2021**

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	11	280,661	507,103
Tangible assets	12	<u>8,426,751</u>	<u>6,884,300</u>
		<u>8,707,412</u>	<u>7,391,403</u>
Current assets			
Stocks	13	4,754,992	3,635,911
Debtors	14	7,501,839	8,836,845
Cash at bank and in hand	15	<u>2,042,047</u>	<u>4,738,347</u>
		14,298,878	17,211,103
Creditors: Amounts falling due within one year	16	<u>(6,057,795)</u>	<u>(8,539,304)</u>
Net current assets		<u>8,241,083</u>	<u>8,671,799</u>
Total assets less current liabilities		16,948,495	16,063,202
Creditors: Amounts falling due after more than one year	16	(345,344)	-
Provisions for liabilities	18	<u>(524,049)</u>	<u>(296,526)</u>
Net assets		<u>16,079,102</u>	<u>15,766,676</u>
Capital and reserves			
Called up share capital	20	1,000	1,000
Profit and loss account		<u>16,078,102</u>	<u>15,765,676</u>
Total equity		<u>16,079,102</u>	<u>15,766,676</u>

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Approved and authorised by the Board on and signed on its behalf by:

DocuSigned by:

Brian Harris

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B G Harris
Director

The notes on pages 14 to 28 form an integral part of these financial statements.

Kelkay Limited**Statement of Changes in Equity for the Year Ended 30 September 2021**

	Share capital	Profit and loss account	Total
	£	£	£
At 1 October 2019	1,000	15,700,069	15,701,069
Profit for the year	-	65,607	65,607
Total comprehensive income	-	65,607	65,607
At 30 September 2020	1,000	15,765,676	15,766,676

	Share capital	Profit and loss account	Total
	£	£	£
At 1 October 2020	1,000	15,765,676	15,766,676
Profit for the year	-	312,426	312,426
Total comprehensive income	-	312,426	312,426
At 30 September 2021	1,000	16,078,102	16,079,102

The notes on pages 14 to 28 form an integral part of these financial statements.

Kelkay Limited

Notes to the Financial Statements for the Year Ended 30 September 2021

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is The Old Airfield, Heck And Pollington Lane, Pollington, East Yorkshire, DN14 0BA.

Principal activity

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

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

These financial statements are prepared in sterling which is the functional currency of the entity.

Summary of disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) Disclosures in respect of share-based payments have not been presented.
- (e) No disclosure has been given for the aggregate remuneration of key management personnel.

The company has taken advantage of the exemption available under paragraph 33.1A of FRS 102 and does not disclose related party transactions with members of the same group that are wholly owned.

Name of parent of group

These financial statements are consolidated in the financial statements of The Ames Companies UK Ltd.

The financial statements of The Ames Companies UK Ltd may be obtained from The Old Airfield, Heck And Pollington Lane, Pollington, East Yorkshire, DN14 0BA.

Kelkay Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

2 Accounting policies (continued)

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. Based on the forecast trading, profitability and liquidity for 2022 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 financial statements.

Judgements

There are considered to be no significant judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies which affect the amounts recognised in the financial statements.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

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.

Revenue recognition

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.

Foreign currency transactions and balances

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.

Tax

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

Kelkay Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

2 Accounting policies (continued)

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 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.

Tangible assets

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

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.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
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

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.

Kelkay Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

2 Accounting policies (continued)

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.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	5 years straight line

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

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 for the Year Ended 30 September 2021 (continued)

2 Accounting policies (continued)

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Income Statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

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.

Share capital

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.

Defined contribution pension obligation

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

Kelkay Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

2 Accounting policies (continued)

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS102 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 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.

Kelkay Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

2 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.

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2021 £	2020 £
Sale of goods	<u>35,560,941</u>	<u>28,618,083</u>

The analysis of the company's turnover for the year by market is as follows:

	2021 £	2020 £
UK	35,285,847	28,235,128
Europe	256,864	359,925
Rest of world	<u>18,230</u>	<u>23,030</u>
	<u>35,560,941</u>	<u>28,618,083</u>

Kelkay Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2021	2020
	£	£
Government grants	-	456,470
Insurance proceeds	588,204	-
	<u>588,204</u>	<u>456,470</u>

The company has received government assistance via the Coronavirus Job Retention Scheme of £nil (2020 - £456,470). This was claimed against the staff costs of the company as reported gross below.

5 Operating profit

Arrived at after charging/(crediting)

	2021	2020
	£	£
Depreciation expense	931,677	702,092
Amortisation expense	226,442	169,035
Foreign exchange gains	(289,689)	(102,507)
Loss/(profit) on disposal of property, plant and equipment	104,770	(28)
Amounts charged in respect of operating lease rentals	<u>83,829</u>	<u>73,684</u>

6 Interest payable and similar expenses

	2021	2020
	£	£
Interest on bank overdrafts and borrowings	-	10,613
Interest on obligations under finance leases and hire purchase contracts	14,438	64
Interest expense on other finance liabilities	<u>-</u>	<u>195</u>
	<u>14,438</u>	<u>10,872</u>

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021	2020
	£	£
Wages and salaries	6,308,942	4,637,778
Social security costs	662,705	448,371
Pension costs, defined contribution scheme	<u>144,242</u>	<u>100,312</u>
	<u>7,115,889</u>	<u>5,186,461</u>

Kelkay Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

7 Staff costs (continued)

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Production	108	109
Administration and support	63	38
Other departments	4	4
	<u>175</u>	<u>151</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £	2020 £
Remuneration	805,339	320,926
Contributions paid to money purchase schemes	25,897	6,986
	<u>831,236</u>	<u>327,912</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2021 No.	2020 No.
Accruing benefits under money purchase pension scheme	<u>3</u>	<u>3</u>

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.

In respect of the highest paid director:

	2021 £	2020 £
Remuneration	358,506	145,309
Company contributions to money purchase pension schemes	<u>1,317</u>	<u>1,314</u>

9 Auditor's remuneration

	2021 £	2020 £
Audit of the financial statements	<u>35,500</u>	<u>32,500</u>

Kelkay Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

10 Taxation

Tax charged/(credited) in the income statement

	2021 £	2020 £
Current taxation		
UK corporation tax	54,194	-
Deferred taxation		
Arising from origination and reversal of timing differences	156,890	49,120
Arising from changes in tax rates and laws	61,803	15,431
Total deferred taxation	218,693	64,551
Tax expense in the income statement	272,887	64,551

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £	2020 £
Profit before tax	585,313	130,158
Corporation tax at standard rate	111,209	24,730
Effect of revenues exempt from taxation	(57,741)	-
Effect of expense not deductible in determining taxable profit (tax loss)	1,774	83
Deferred tax expense relating to changes in tax rates or laws	99,458	15,431
Deferred tax expense from unrecognised temporary difference from a prior period	118,187	51,398
Tax decrease arising from group relief	-	(27,091)
Total tax charge	272,887	64,551

Kelkay Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

10 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset £	Liability £
2021		
Accelerated capital allowances	-	524,049
Provisions	<u>109,645</u>	<u>-</u>
	<u>109,645</u>	<u>524,049</u>
2020		
Accelerated capital allowances	-	296,526
Provisions	<u>100,815</u>	<u>-</u>
	<u>100,815</u>	<u>296,526</u>

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). This new law was deemed substantively enacted on 17 March 2020. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase from 19% to 25%. This new law was deemed substantively enacted on 24 May 2021 and the deferred tax balances at the year end have been calculated based on this rate.

11 Intangible assets

	Goodwill £
Cost or valuation	
At 1 October 2020	<u>1,486,794</u>
At 30 September 2021	<u>1,486,794</u>
Amortisation	
At 1 October 2020	979,691
Amortisation charge	<u>226,442</u>
At 30 September 2021	<u>1,206,133</u>
Carrying amount	
At 30 September 2021	<u>280,661</u>
At 30 September 2020	<u>507,103</u>

Kelkay Limited**Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)****12 Tangible assets**

	Land and buildings £	Assets under construction £	Fixtures and fittings £	Plant and machinery £	Motor vehicles £	Computer equipment £	Total £
Cost or valuation							
At 1 October 2020	5,174,299	-	521,268	4,824,272	231,682	322,901	11,074,422
Additions	610,396	115,707	185,597	1,476,920	-	347,919	2,736,539
Disposals	-	-	-	(436,290)	(193,578)	(3,172)	(633,040)
At 30 September 2021	<u>5,784,695</u>	<u>115,707</u>	<u>706,865</u>	<u>5,864,902</u>	<u>38,104</u>	<u>667,648</u>	<u>13,177,921</u>
Depreciation							
At 1 October 2020	732,920	-	296,901	2,831,588	128,108	200,605	4,190,122
Charge for the year	107,438	-	85,213	614,542	11,097	113,387	931,677
Eliminated on disposal	-	-	-	(260,840)	(109,789)	-	(370,629)
At 30 September 2021	<u>840,358</u>	<u>-</u>	<u>382,114</u>	<u>3,185,290</u>	<u>29,416</u>	<u>313,992</u>	<u>4,751,170</u>
Carrying amount							
At 30 September 2021	<u>4,944,337</u>	<u>115,707</u>	<u>324,751</u>	<u>2,679,612</u>	<u>8,688</u>	<u>353,656</u>	<u>8,426,751</u>
At 30 September 2020	<u>4,441,379</u>	<u>-</u>	<u>224,367</u>	<u>1,992,684</u>	<u>103,574</u>	<u>122,296</u>	<u>6,884,300</u>

Kelkay Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

12 Tangible assets (continued)

Included within the net book value of land and buildings above is £4,944,337 (2020 - £4,441,379) in respect of freehold land and buildings.

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2021 £	2020 £
Plant and machinery	663,844	-

13 Stocks

	2021 £	2020 £
Finished goods and goods for resale	4,754,992	3,635,911

14 Debtors

	Note	2021 £	2020 £
Trade debtors		5,244,194	7,279,157
Amounts owed by group undertakings		1,707,298	972,140
Other debtors		2,981	1,133
Prepayments		129,344	136,029
Deferred tax assets	10	109,645	100,815
Corporation tax asset		308,377	347,571
		7,501,839	8,836,845

15 Cash and cash equivalents

	2021 £	2020 £
Cash at bank	2,042,047	4,738,347

16 Creditors

	Note	2021 £	2020 £
Due within one year			
Loans and borrowings	17	273,127	-
Trade creditors		3,309,618	2,755,578
Amounts owed to group undertakings	22	969,760	411,900
Social security and other taxes		366,328	1,756,860
Other creditors		6,328	114,803
Accrued expenses		1,132,634	3,470,163
		6,057,795	8,539,304

Kelkay Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

16 Creditors (continued)

	Note	2021 £	2020 £
Due after one year			
Loans and borrowings	17	<u>345,344</u>	<u>-</u>

17 Loans and borrowings

	2021 £	2020 £
Current loans and borrowings		
Hire purchase and finance lease liabilities	<u>273,127</u>	<u>-</u>

	2021 £	2020 £
Non-current loans and borrowings		
Hire purchase and finance lease liabilities	<u>345,344</u>	<u>-</u>

18 Provisions for liabilities

	Deferred tax £	Total £
At 1 October 2020	296,526	296,526
Increase (decrease) in existing provisions	<u>227,523</u>	<u>227,523</u>
At 30 September 2021	<u>524,049</u>	<u>524,049</u>

19 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £144,242 (2020 - £100,312).

Contributions totalling £1,200 (2020 - £14,896) were payable to the scheme at the end of the year and are included in creditors.

20 Share capital

Allotted, called up and fully paid shares

	No.	2021 £	No.	2020 £
Ordinary share of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

Kelkay Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

21 Obligations under leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

	2021	2020
	£	£
Not later than one year	273,127	-
Later than one year and not later than five years	345,344	-
	<u>618,471</u>	<u>-</u>

Operating leases

The total of future minimum lease payments is as follows:

	2021	2020
	£	£
Not later than one year	174,000	73,684
Later than one year and not later than five years	696,000	285,527
Later than five years	-	5,833
	<u>870,000</u>	<u>365,044</u>

22 Related party transactions

Summary of transactions with entities with joint control or significant interest

The company undertook related party transactions with wholly owned members of Griffon Corporation during the year and has taken the exemption from disclosure of these transactions available under FRS102.

23 Parent and ultimate parent undertaking

The company's immediate parent is The Ames Companies UK Limited, incorporated in England and Wales. The ultimate parent is Griffon Corporation, incorporated in United States of America.

The parent of the largest group in which these financial statements are consolidated is Griffon Corporation, incorporated in United States of America.

The address of Griffon Corporation is:
712 Fifth Avenue, Manhattan, NY 10019, United States.

The parent of the smallest group in which these financial statements are consolidated is The Ames Companies Limited, incorporated in England and Wales.

The address of The Ames Companies Limited is:
The Old Airfield Heck Lane, Pollington, Goole, North Humberside, DN14 0BA.