# BARKERS ENGINEERING LIMITED

Registered number 00597466

Annual Report and Financial Statements
For the year ended 31 December 2022

## Contents

## Strategic Report

The Directors present their Annual Report and Financial Statements of Barkers Engineering Limited ('the Company') for the year ended 31 December 2022.

**Principal activity**
The principal activity the Company is the manufacture and supply of fencing and related products, galvanizing and powder coating.

**Business review and future developments**
Overview – Turnover for the year was £25,976,000 (2021: £25,533,000), while operating profit amounted to £1,129,000 (2021: £1,092,000). Raw material costs were very volatile following the invasion in Ukraine, with steel prices rising rapidly before settling down later in the year. Due to the group policy of buying gas and electricity forward, energy cost inflation only affected Barkers towards the tail-end of 2022. UK trading was reasonable given the volatility in input costs, but demand for our high security products in our core data centre market continued to be strong during 2022 and we worked on projects in Poland, Holland, Denmark, Germany, Austria, Ireland and Australia. Our sub-contract galvanizing and powder-coating service was generally busy during the year and the benefits of the investment in the new powder booth at the end of 2021 in terms of improved reliability and quality were evident right from the beginning of the year. The board are confident that the markets we operate in are strong, and resilient to UK and global economic effects and therefore believe that the medium and long-term outlook for the business is positive.

Strategy – We protect people, places and reputations, and we do this by having a diverse range of perimeter security products from simple demarcation to highly-engineered tested products capable of protecting the country's most important critical infrastructure and sites worldwide that process and store highly sensitive data. Our finishing division offers a 'one-stop' service, enabling our clients to have their goods galvanized, fettled and then powder-coated, all on one site.

Corporate Social Responsibility – The Company recognises the importance of balancing the interest of key stakeholders – employees, customers, shareholders, suppliers and the wider community in which it operates. The Company remains committed to a continuous improvement in its environmental performance to ensure that its activities comply with environmental standards and legislation.

Health and Safety – Health and safety remains core to the Company's business. The Company is committed to a continuous improvement in its health and safety performance and its activities comply with health and safety standards and legislation. Further details of Hill & Smith PLC's ("the Group's") health and safety activities can be found in the Group's annual Report.

**Principal risks and uncertainties**
The Board continues to develop policies and procedures that reflect the nature and scale of the Company's business. These are designed to identify, mitigate and manage risk. The Board has identified the following key areas of risk to the business: Local Authority spending profile; and competitor technical innovation. The Company mitigate and manage these risks by continuously monitoring current and future financial performance to facilitate rapid responses to changes in market conditions.

## Strategic Report *(continued)*

**Key performance indicators**
The Group's key performance indicators ("KPIs") are commented on in detail in the Hill & Smith PLC Annual Report. Those that specifically relate to the Company are as follows:

*Financial* – The Company considers revenue growth (year on year), operating profit margin and return on capital employed (defined as operating profit before reorganisation costs divided by the average capital employed) to be its principal financial key performance indicators.

| KPI | 2022 | 2021 |
|---|---|---|
| Revenue growth/(decline) (year on year) | 1.7% | 23.2% |
| Operating profit margin | 4.3% | 4.3% |
| Return on capital employed | 20.2% | 23.2% |

An overview of the Company's financial performance compared to the prior year is included in the business review on page 1.
*Non-financial* – Health and safety, energy efficiency, emissions, use of recycled products and waste management are all principal areas of focus for the Company. The Board considers the Company's performance in these areas to be satisfactory.

Impact of climate change - details of the Group's assessment of the impact of climate change can be found in the Hill & Smith PLC annual report. Details on how to obtain a copy of the Group's Annual Report are included in note 23.

**Statement by the directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006 ("the Act")**

The Company is part of the Group and is therefore required to produce a Section 172 statement.

The Section 172 statement for Hill & Smith PLC, which this statement underpins, can be found on page 75 of its 2022 Annual Report.

The Board of the Company considers that it is suitably composed, with an appropriate range of pertinent skills and experience and the directors consider that they have acted, both individually and together, in good faith and in ways which would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to stakeholders and matters set out in s172 (1) (a-f) of the Act.

Our aim is to deliver sustainable profit growth from a sustainable business model and in so doing the Board is collectively responsible for upholding high standards of corporate governance and leadership, and we place a high priority on meeting our environmental and social responsibilities, whilst continuing to deliver value to all of our stakeholders: Employees; customers; suppliers; shareholders; local communities; and Government. Effective risk management is also critical to the achievement of our strategy, and our risk management processes are integrated into our daily business activities and integrated vertically, into that of our ultimate parent company, Hill & Smith PLC.

The Board has implemented policies, systems and procedures or updated existing ones, to inform and assist its strategic planning, management and decision-making in line with its values and in support of its ultimate parent company's strategic objectives. Further details on this can be found on page 6 of the 2022 Annual Report of Hill & Smith PLC.

By order of the Board

**C A Henderson**
Secretary
22 June 2023

Westhaven House
Arleston Way
Shirley, Solihull
West Midlands, United Kingdom
B90 4LH

## Directors' Report

The Directors present their Report and Financial Statements for the year ended 31 December 2022.

**Research and development**
The Company spent £35,000 on research and development during the year (2021: £51,000).

**Dividends**
A dividend payment of £nil has been made in the year ended 31 December 2022 (2021: £nil). There are no proposed dividends.

**Directors**
The Directors serving during the year and in the period up to the date of this Report were as follows:

| | |
|---|---|
| A Rowe | |
| R Ridgway | (resigned 19 January 2022) |
| D R Spann | (resigned 11 March 2022) |
| A J Beaney | (resigned 31 January 2022) |
| A P Savage | |
| K R Clarke | (appointed 6 October 2022) |

**Political and charitable contributions**
The Company made no political donations or incurred any political expenditure during the current or prior year.

The Company made charitable donations of £5,000 during the year (2021: £8,000).

**Employees**
Details of the number of employees and related costs can be found in note 6 to the Financial Statements.

Applications for employment by disabled persons are considered fully, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The Company participates in Hill & Smith PLC's policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters.

**Financial risk**
The financial risk management objectives and policies are managed by the directors of Hill & Smith PLC on a Group basis. From the perspective of the Company, the financial risks are integrated within the financial risks of the Group and are not managed separately. Accordingly, the financial risks of the Group, which include those of the Company, are discussed within the financial risk management section of the Group's Annual Report which does not form part of this Annual Report. Details on how to obtain a copy of the Group's Annual Report are included in note 23.

**Going concern**
The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 1.

The Company is a trading company in the Group. As at 31 December 2022, the Company had net current assets of £4,329,000. The Company is a party to cross guarantees given for loans and borrowings of the ultimate parent company, Hill & Smith PLC, and certain fellow subsidiaries as detailed in note 18. As a result, the Company's funding requirements are directly linked to the Group's overall financial position.

## Directors' Report *(continued)*

**Going concern** *(continued)*
At 31 December 2022, the Group had £309.0m of committed borrowing facilities, of which only £0.3m matures before June 2026 at the earliest, and a further £11.5m of on-demand facilities. The Group refinanced its revolving credit facility in November 2022, entering into a new facility with a value of £250m that is committed until November 2026, with an option to extend the maturity by a further year at the one-year anniversary. The Group also holds $70m of Senior Unsecured Notes, and other local committed borrowing facilities of £0.6m. The amount drawn down under these committed facilities at 31 December 2022 was £107.4m, which together with cash and cash equivalents of £24.8m gave total headroom of £237.9m (£226.4m committed, £11.5m on demand). The Group has not made any changes to its principal borrowing facilities between 31 December 2022 and the date of approval of these financial statements. The only significant changes to liquidity headroom during that period were the acquisitions of Enduro Composites, which the Group completed on 17 February 2023 for an initial consideration of £28.7m, and Korns Galvanizing, which the Group acquired on 6 March 2023 for consideration of £9.4m. Substantial headroom against borrowing facilities remains in place post these acquisitions.

The principal borrowing facilities are subject to covenants that are measured biannually in June and December, being net debt to EBITDA of a maximum of 3.0x and interest cover of a minimum of 4.0x, based on measures as defined in the facilities agreements which are adjusted from the equivalent IFRS amounts. The ratio of net debt to EBITDA at 31 December 2022 was 0.7 times and interest cover was 21.6 times.

In assessing whether these financial statements should be prepared on a going concern basis, the Directors have prepared cash flow forecasts for the Company through until 30 June 2024. The Group have aggregated the cash flow forecasts of the Group's subsidiaries to form a Group 'base case' scenario. In this 'base case' scenario, the forecasts indicate significant liquidity headroom will be maintained above the Group's borrowing facilities and financial covenants will be met throughout the period, including the covenant tests at 30 June 2023, 31 December 2023 and 30 June 2024.

The Group has carried out stress tests against the base case to determine the performance levels that would result in a breach of covenants or a reduction of headroom against its borrowing facilities to nil. For a breach of covenants to occur during the relevant period, the Group would need to experience a sustained revenue reduction of 26% compared with current expectations throughout the period from July 2023 through June 2024. A reduction in headroom against borrowing facilities to nil would occur if the Group experienced a sustained revenue reduction of 88% compared with current expectations between July 2023 and June 2024. The Directors do not consider any of these scenarios to be plausible given the generally positive outlook across the infrastructure markets in which the Group operates. The Directors also noted the Group's ability to continue its operations throughout the COVID-19 pandemic, noting that revenues fell by only 22% in the second quarter of 2020, the worst-affected period. Furthermore, the Group has several mitigating actions under its control including minimising capital expenditure to critical requirements, reducing levels of discretionary spend, rationalising its overhead base and curtailing future dividend payments which, although not forecast to be required, could be implemented in order to be able to meet the covenant tests and to continue to operate within borrowing facility limits. Further details are provided in the Group's 2022 annual report which can be obtained from the address in note 23.

As a result of the above, the Company's ultimate parent, Hill & Smith PLC, have provided a letter of support to confirm their intention to provide sufficient funding to the Company to enable it to meet its liabilities as they fall due for a period from the date of approval of these financial statements through to 30 June 2024. The Directors have assessed the ultimate parent company's ability to provide such support through obtaining the latest consolidated financial statements of the Group, discussing the financial position with group management and assessing the level of funds available to the Group. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due from the date of approval of the financial statements, through to 30 June 2024, and therefore have prepared the financial statements on a going concern basis.

**Post balance sheet events**
There were no significant post balance sheet events.

## Directors' Report *(continued)*

**Disclosure of information to auditor**
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Auditor**
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

**Other matters**
In accordance with section 414C(11) of the Companies Act 2006, certain information, including future business developments, are not presented in the Directors' Report because it is disclosed in the Strategic Report.

Details of greenhouse gas emissions, energy consumption and energy efficiency required by Part 7 of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 are included in the Group's Annual Report. Details on how to obtain a copy of the Group's Annual Report are included in note 23.

By order of the Board

**C A Henderson**
Secretary
22 June 2023

Westhaven House
Arleston Way
Shirley
Solihull
West Midlands
United Kingdom
B90 4LH

## Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, Directors' 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 they have elected to prepare the Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# Independent Auditor's Report to the members of Barkers Engineering Limited

## Opinion

We have audited the financial statements of Barkers Engineering Limited for the year ended 31 December 2022 which comprise the Profit and Loss Account, the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 24, 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 FRS 101 "Reduced Disclosure Framework 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 company's affairs as at 31 December 2022 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

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.

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 to 30 June 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Independent Auditor's Report to the members of Barkers Engineering 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 directors' report have been prepared in accordance with applicable legal requirements.

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

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 directors' report.

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**

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

***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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

## Independent Auditor's Report to the members of Barkers Engineering Limited *(continued)*

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

- 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 reporting framework (FRS 101 Reduced Disclosure Framework and the Companies Act 2006) and compliance with the relevant direct and indirect tax regulations in the United Kingdom. In addition, the Company complies with laws and regulations relating to its operations, health and safety, environmental and data protection.
- We understood how Barkers Engineering Limited is complying with those frameworks by reviewing the Company policies and procedures for creating awareness of laws and regulations and how to report any instances of non-compliance. This included: the issuance of, and adherence to, a Group Policy Manual; review by an internal audit function to ensure adherence; and availability of a whistle-blowing hotline to report any instances of non-compliance. We observed management place a strong emphasis on creating a culture of honesty and ethical behaviour, which act as a fraud deterrent.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by understanding the culture and controls present at the company and whether this had a strong emphasis on the prevention and detection of fraud. We also understood the performance targets related to the Company and their influence on efforts that might be made by management to manage earnings or influence the perceptions of users of the financial statements. Through these procedures we determined there to be a risk of management override associated with revenue and a fraud risk around revenue recognition, and in particular the revenue recorded throughout the year via manual journal entries.
- We performed journal entries testing on the manual journals recorded in revenue using data analytic techniques to sample from the entire population of journals, identifying specific transactions which did not meet our expectations based on specific criteria, and investigated these and confirmed that the journals were for appropriate business reasons and verified them to relevant source documentation. Our analytical review procedures focused on identifying unusual trends and unexpected relationships and increased our understanding of the entity and its environment.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of internal and external legal counsel, parent and company level senior management as to their awareness of non-compliance with laws and regulations; a review of internal audit reports and board minutes as well as a review of payments to detect unrecorded liabilities, contrary evidence and available correspondence with third parties.

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

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Stephen Kirk (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
Date: 22nd June 2023

## Profit and Loss Account
***for the year ended 31 December 2022***

| | Note | 2022<br>£000 | 2021<br>£000 |
|---|---|---|---|
| **Turnover** | *3* | **25,976** | 25,533 |
| Cost of sales | | **(20,297)** | (20,434) |
| **Gross profit** | | **5,679** | 5,099 |
| Distribution costs | | **(965)** | (1,010) |
| Administrative expenses | | **(3,585)** | (2,997) |
| **Operating profit being profit before interest and taxation** | | **1,129** | 1,092 |
| Interest receivable | *7* | **1** | 1 |
| Interest payable and similar charges | *8* | **(72)** | (48) |
| **Profit before taxation** | *4* | **1,058** | 1,045 |
| Taxation on profit | *9* | **(182)** | (160) |
| **Profit for the financial year** | | **876** | 885 |

## Statement of Comprehensive Income

| | | | |
|---|---|---|---|
| *Items that will not be classified to profit or loss:* | | | |
| Taxation on other comprehensive income | | **-** | - |
| **Other comprehensive income for the year, net of tax** | | **-** | - |
| **Total comprehensive income for the year** | | **876** | 885 |

All operations are continuing.

The notes on pages 13 to 29 form part of the Financial Statements.

## Balance Sheet
*as at 31 December 2022*

| | Note | 2022 £000 | 2022 £000 | 2021 £000 | 2021 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | *10* | | **83** | | 63 |
| Tangible assets | *11* | | **1,563** | | 1,401 |
| Right-of-use assets | *12* | | **1,473** | | 1,596 |
| | | | **3,119** | | 3,060 |
| **Current assets** | | | | | |
| Stocks | *13* | **3,738** | | 3,915 | |
| Debtors | *14* | **5,956** | | 5,715 | |
| Cash at bank and in hand | | **265** | | 132 | |
| | | **9,959** | | 9,762 | |
| **Creditors:** Amounts falling due within one year | *15* | **(5,630)** | | (6,150) | |
| **Net current assets** | | | **4,329** | | 3,612 |
| **Total assets** | | | **7,448** | | 6,672 |
| **Creditors:** Amounts falling due after more than one year | *15* | | **(1,360)** | | (1,501) |
| **Provisions for liabilities** | | | | | |
| Deferred tax | *16* | | **(86)** | | - |
| **Net assets** | | | **6,002** | | 5,171 |
| **Capital and reserves** | | | | | |
| Called up share capital | *17* | | **1,840** | | 1,840 |
| Profit and loss account | | | **4,162** | | 3,331 |
| **Total equity shareholder's funds** | | | **6,002** | | 5,171 |

The notes on pages 13 to 29 form part of the Financial Statements.

These Financial Statements were approved by the Board of Directors and signed on their behalf by:

A Rowe

**A Rowe**
*Director*
22 June 2023

Company No. 00597466

# Statement of Changes in Equity
***for the year ended 31 December 2022***

| | Called up share capital £000 | Profit and loss account £000 | Total equity shareholder's funds £000 |
|---|---|---|---|
| **At 1 January 2021** | **1,840** | **2,431** | **4,271** |
| **Comprehensive income** | | | |
| Profit for the year | - | 885 | 885 |
| Tax taken directly to the Statement of Changes in Equity | - | 15 | 15 |
| **At 31 December 2021** | **1,840** | **3,331** | **5,171** |
| **Comprehensive income** | | | |
| Profit for the year | - | 876 | 876 |
| Tax taken directly to the Statement of Changes in Equity | - | (45) | (45) |
| **At 31 December 2022** | **1,840** | **4,162** | **6,002** |

Profit and loss account reserve represents accumulated retained earnings.

# Notes to financial statements

## 1 General Information

The Company is a private company limited by shares and incorporated and domiciled in England, United Kingdom. The registered office is Westhaven House, Arleston Way, Shirley, Solihull, B90 4LH.

## 2 Accounting policies

The following accounting policies have been applied consistently in the current and prior year in dealing with items which are considered material in relation to the Company's Financial Statements.

***Basis of preparation***

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and in accordance with applicable accounting standards. The presentation and functional currency of these financial statements is Sterling and all amounts are rounded to thousands (£'000) except where otherwise indicated.

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of UK adopted international accounting standards but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Hill & Smith PLC, includes the Company in its Consolidated Financial Statements. The Consolidated Financial Statements of Hill & Smith PLC are prepared in accordance with UK adopted international accounting standards and are available to the public and may be obtained from Group Headquarters (see note 23).

***Significant accounting estimates or judgements***

In the application of the Company's accounting policies outlined below, the directors are required to make estimates, assumptions and judgements about the carrying value of assets and liabilities that are not readily apparent. In the opinion of the directors there were no estimates, assumptions or judgements that may have a significant risk of causing a material adjustment in these financial statements.

***New IFRS standards and interpretations adopted during 2022***

The following amendments and interpretations apply for the first time in 2022, and therefore were adopted by the company:

- Amendments to IFRS 3 – Reference to Conceptual Frameworks
- Amendments to IAS 16 – Proceeds before intended use
- Amendments to IAS 37 – Onerous Contracts – costs of fulfilling a contract

The amendments noted above have not had a material impact on the financial statements.

***Exemptions***

In these Financial Statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

# Notes to financial statements *(continued)*

## 2 Accounting policies *(continued)*

***Exemptions** (continued)*
As the Consolidated Financial Statements of Hill & Smith PLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures;
- Certain disclosures required by IFRS 15 Revenue from Contracts with Customers; and
- Certain disclosures required by IFRS 16 Leases.

***Measurement convention***
The Financial Statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss or as available-for-sale, investment property and liabilities for cash-settled share-based payments. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

***Going concern***
The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 1.

The Company is a trading company in the Group. As at 31 December 2022, the Company had net current assets of £4,329,000. The Company is a party to cross guarantees given for loans and borrowings of the ultimate parent company, Hill & Smith PLC, and certain fellow subsidiaries as detailed in note 18. As a result, the Company's funding requirements are directly linked to the Group's overall financial position.

At 31 December 2022, the Group had £309.0m of committed borrowing facilities, of which only £0.3m matures before June 2026 at the earliest, and a further £11.5m of on-demand facilities. The Group refinanced its revolving credit facility in November 2022, entering into a new facility with a value of £250m that is committed until November 2026, with an option to extend the maturity by a further year at the one-year anniversary. The Group also holds $70m of Senior Unsecured Notes, and other local committed borrowing facilities of £0.6m. The amount drawn down under these committed facilities at 31 December 2022 was £107.4m, which together with cash and cash equivalents of £24.8m gave total headroom of £237.9m (£226.4m committed, £11.5m on demand). The Group has not made any changes to its principal borrowing facilities between 31 December 2022 and the date of approval of these financial statements. The only significant changes to liquidity headroom during that period were the acquisitions of Enduro Composites, which the Group completed on 17 February 2023 for an initial consideration of £28.7m, and Korns Galvanizing, which the Group acquired on 6 March 2023 for consideration of £9.4m. Substantial headroom against borrowing facilities remains in place post these acquisitions.

The principal borrowing facilities are subject to covenants that are measured biannually in June and December, being net debt to EBITDA of a maximum of 3.0x and interest cover of a minimum of 4.0x, based on measures as defined in the facilities agreements which are adjusted from the equivalent IFRS amounts. The ratio of net debt to EBITDA at 31 December 2022 was 0.7 times and interest cover was 21.6 times.

In assessing whether these financial statements should be prepared on a going concern basis, the Directors have prepared cash flow forecasts for the Company through until 30 June 2024. The Group have aggregated the cash flow forecasts of the Group's subsidiaries to form a Group 'base case' scenario. In this 'base case' scenario, the forecasts indicate significant liquidity headroom will be maintained above the Group's borrowing facilities and financial covenants will be met throughout the period, including the covenant tests at 30 June 2023, 31 December 2023 and 30 June 2024.

# Notes to financial statements *(continued)*

## 2 Accounting policies *(continued)*

***Going concern** (continued)*
The Group has carried out stress tests against the base case to determine the performance levels that would result in a breach of covenants or a reduction of headroom against its borrowing facilities to nil. For a breach of covenants to occur during the relevant period, the Group would need to experience a sustained revenue reduction of 26% compared with current expectations throughout the period from July 2023 through June 2024. A reduction in headroom against borrowing facilities to nil would occur if the Group experienced a sustained revenue reduction of 88% compared with current expectations between July 2023 and June 2024. The Directors do not consider any of these scenarios to be plausible given the generally positive outlook across the infrastructure markets in which the Group operates. The Directors also noted the Group's ability to continue its operations throughout the COVID-19 pandemic, noting that revenues fell by only 22% in the second quarter of 2020, the worst-affected period. Furthermore, the Group has several mitigating actions under its control including minimising capital expenditure to critical requirements, reducing levels of discretionary spend, rationalising its overhead base and curtailing future dividend payments which, although not forecast to be required, could be implemented in order to be able to meet the covenant tests and to continue to operate within borrowing facility limits. Further details are provided in the Group's 2022 annual report which can be obtained from the address in note 23.

As a result of the above, the Company's ultimate parent, Hill & Smith PLC, have provided a letter of support to confirm their intention to provide sufficient funding to the Company to enable it to meet its liabilities as they fall due for a period from the date of approval of these financial statements through to 30 June 2024. The Directors have assessed the ultimate parent company's ability to provide such support through obtaining the latest consolidated financial statements of the Group, discussing the financial position with group management and assessing the level of funds available to the Group. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due from the date of approval of the financial statements, through to 30 June 2024, and therefore have prepared the financial statements on a going concern basis.

***Foreign currencies***
Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

***Turnover***
Turnover is measured based on the consideration specified in a contract with a customer for the provision of goods and services. The amount recognised excludes sales taxes and is adjusted for any discounts or volume rebates that are included in the contract. The Company does not routinely offer discounts or volume rebates, but where it does the variable element of revenue is based on the most likely amount of consideration that the Company believes it will receive. The Company recognises revenue when it transfers control over a good or service to a customer.

The Company classifies proceeds from the sale of by-products generated during the galvanizing process within revenue.

***Contract assets***
Contract assets primarily relate to the rights to consideration for work completed but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional.

# Notes to financial statements *(continued)*

## 2 Accounting policies *(continued)*

***Research and development***
Expenditure on research activities is recognised in the Profit and Loss Account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the Profit and Loss Account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

***Amortisation***
Amortisation is charged to Administrative Expenses in the Profit and Loss Account on a straight-line basis over the estimated useful economic lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each Balance Sheet date. Other intangible assets are amortised from the date they are available for use up to a maximum of 20 years.

***Financial instruments***
*Trade and other debtors*
Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

*Trade and other creditors*
Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

*Interest-bearing borrowings*
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

*Derivative financial instruments*
Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

*Fair value hedges*
Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the Profit and Loss Account. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the Profit and Loss Account (even if those gains would normally be recognised directly in reserves).

***Provisions***
A provision is recognised in the Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

## Notes to financial statements *(continued)*

### 2 Accounting policies *(continued)*

***Tangible Fixed assets and depreciation***

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the Profit and Loss Account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

| | | |
|---|---|---|
| Plant, equipment and vehicles | - | 4 to 20 years |
| Buildings and leasehold improvements | - | 50 years |

Depreciation methods, useful lives and residual values are reviewed at each Balance Sheet date.

***Leases***

To the extent that a right-of-control exists over an asset subject to a lease and with a lease term exceeding one year, the Company recognises: a right-of-use asset, representing the underlying lease asset, and a lease liability, representing the Company's obligation to make lease payments. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the dismantling, removal and restoration costs as required by the terms of the lease contract.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to annual impairment testing, where indicators of impairment exist.

The lease liability is measured at the present value of the future lease payments discounted using the Company's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Future lease payments include: fixed payments, variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the commencement date), amounts expected to be payable under a residual guarantee and the exercise price of purchased options where it is reasonably certain that the option will be exercised. Finance charges, representing the unwinding of the discount rate, are recognised in the Profit and Loss Account over the period of the lease.

The Company elects not to apply the lease accounting model to short term leases (less than 12 month lease term) and low value assets. Accordingly, the lease payments for short term leases and low value assets are recognised as an expense on a straight line basis over the lease term.

For vehicle leases, where it is not practical to separate the non-lease components from the lease components, the Company elects to treat lease component and non-lease component as a single lease component.

***Stocks and work in progress***

Stocks are stated at the lower of cost and net realisable value. Cost is based on weighted average costing principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

# Notes to financial statements *(continued)*

## 2 Accounting policies *(continued)*

***Taxation***

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Balance Sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

***Expenses***

*Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities, interest expense on lease liabilities, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the Profit and Loss Account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the Profit and Loss Account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

***Dividends***

Dividends are recognised in the Financial Statements in the period in which they are approved by the Company's shareholders.

***Pension scheme arrangements***

*Defined contribution scheme*

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the profit and loss account as incurred.

***Share based payments***

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

## Notes to financial statements *(continued)*

**2 Accounting policies** *(continued)*

***Share based payments*** *(continued)*
The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The share option programme allows employees to acquire shares of the ultimate parent company Hill & Smith PLC. The fair value of options granted after 7 November 2002 and those not yet vested by 31 December 2004 are not recognised as an employee expense, while those vested from 1 January 2005 onwards are expensed with a corresponding increase in equity.

Share-based payments are recharged by the ultimate parent company to participating subsidiary undertakings on an annual basis. Where the Company's parent grants rights to its equity instruments to the Group's or the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Group or the Company as the case may be account for these share-based payments as equity settled.

# Notes to financial statements *(continued)*

## 3 Turnover

The turnover of the Company is derived from the following geographical markets:

| | 2022 | 2021 |
|---|---|---|
| | £000 | £000 |
| United Kingdom | 22,363 | 21,952 |
| Rest of Europe | 2,816 | 3,082 |
| Rest of the world | 797 | 499 |
| | 25,976 | 25,533 |

In the opinion of the Directors, there are two major product lines: fencing, and galvanizing and powder coating. The turnover of the Company is derived from these product lines as follows:

| | 2022 | 2021 |
|---|---|---|
| | £000 | £000 |
| Fencing | 22,603 | 22,882 |
| Galvanising and powder coating | 3,373 | 2,651 |
| | 25,976 | 25,533 |

## 4 Profit before taxation

| | 2022 | 2021 |
|---|---|---|
| | £000 | £000 |
| **Profit before taxation is stated** | | |
| *after charging:* | | |
| Depreciation: | | |
| Owned assets | (302) | (299) |
| Right-of-use assets | (221) | (184) |
| Amortisation of intangible assets | (15) | (7) |
| Short term leases | - | (35) |
| Low value lease costs | - | (4) |
| Auditor's remuneration | (49) | (37) |
| Foreign exchange loss | (9) | - |
| Loss on the sale of fixed assets | (12) | - |
| *after crediting:* | | |
| Foreign exchange gain | - | 23 |

# Notes to financial statements *(continued)*

## 5 Remuneration of Directors

Aggregate Directors' remuneration for the year was as follows:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Emoluments | **491** | 432 |
| Company contributions to money purchase pension schemes | **40** | 30 |
| Compensation for loss of office | **38** | - |
| | **569** | 462 |

| | Number | Number |
|---|---|---|
| Directors exercising share options | **1** | 1 |

The remuneration of the highest paid director excluding pension contributions was £171,000 (2021: £168,000). His accrued pension entitlement per annum at the year end was £nil (2021: £nil). The value of pension contributions paid into a scheme for the highest paid director was £nil (2021: £13,000).

The aggregate amount of gains made by directors on the exercise of share options was £11,000 (2021: £72,000), which includes a gain of £11,000 (2021: £72,000) made by the highest paid director on exercise of share options.

## 6 Staff numbers and costs

The average number of persons employed by the Company (including Directors) all of whom were involved in the principal activity was:

| | 2022 Number | 2021 Number |
|---|---|---|
| Production | **128** | 156 |
| Administration | **29** | 22 |
| Sales and distribution | **15** | 13 |
| | **172** | 191 |

| The aggregate payroll costs of these persons were: | £000 | £000 |
|---|---|---|
| Wages and salaries | **5,081** | 5,186 |
| Share-based payment (see note 21) | **12** | 21 |
| Social security costs | **504** | 460 |
| Other pension costs (see note 20) | **228** | 241 |
| | **5,825** | 5,908 |

## Notes to financial statements *(continued)*

### 7 Interest receivable

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Bank interest receivable | **1** | 1 |
| | **1** | 1 |

### 8 Interest payable and similar charges

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Bank interest payable | **24** | 1 |
| On loans from group undertakings | **6** | 3 |
| Interest on lease liabilities (note 12) | **42** | 44 |
| | **72** | 48 |

### 9 Taxation on profit

*Analysis of charge in year*

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| *UK corporation tax* | | |
| Current tax for the year | **119** | 71 |
| Relating to the prior year | **2** | 5 |
| Current tax charge | **121** | 76 |
| *Deferred tax (see note 16)* | | |
| Current year charge | **64** | 108 |
| Relating to the prior year | **(3)** | (4) |
| Effect of change in tax rate | **-** | (20) |
| Deferred tax charge | **61** | 84 |
| Total tax charge | **182** | 160 |

## Notes to financial statements *(continued)*

### 9 Taxation on profit *(continued)*

*Factors affecting tax charge for the year*

The effective current tax rate for the year is lower (2021: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| *Total tax reconciliation* | | |
| Profit before taxation | **1,058** | 1,045 |
| Profit multiplied by the effective rate of corporation tax in the UK of 19% (2021: 19%) | **201** | 199 |
| *Effects of:* | | |
| Non-taxable expense | **(15)** | (21) |
| Capital allowances super deduction | **(18)** | (25) |
| Difference between current and deferred tax rates | **15** | 26 |
| Impact of deferred tax rate change | **-** | (20) |
| Relating to the prior year | **(1)** | 1 |
| **Total tax charge** | **182** | 160 |

The UK headline corporation tax rate for the year was 19% (2021: 19%). In the Spring Budget of 2021, the UK Government announced that from 1 April 2023 the rate of UK corporation tax will increase from 19% to 25%. This new law was substantively enacted on 24 May 2021. Therefore, UK deferred tax assets and liabilities have been calculated at a rate of 25% (2021: 25%).

# Notes to financial statements *(continued)*

## 10 Intangible assets

| | Capitalised development costs £000 | Total £000 |
|---|---|---|
| ***Cost*** | | |
| At 1 January 2022 | 194 | 194 |
| Additions | 35 | 35 |
| **At 31 December 2022** | **229** | **229** |
| ***Amortisation*** | | |
| At 1 January 2022 | 131 | 131 |
| Charge for the year | 15 | 15 |
| **At 31 December 2022** | **146** | **146** |
| ***Net book value*** | | |
| **At 31 December 2022** | **83** | **83** |
| At 31 December 2021 | 63 | 63 |

## Notes to financial statements *(continued)*

### 11 Tangible fixed assets

| | Plant, equipment and vehicles £000 | Total £000 |
|---|---|---|
| ***Cost*** | | |
| At 1 January 2022 | 6,955 | 6,955 |
| Additions | 476 | 476 |
| Disposal | (12) | (12) |
| **At 31 December 2022** | **7,419** | **7,419** |
| ***Depreciation*** | | |
| At 1 January 2022 | 5,554 | 5,554 |
| Charge for the year | 302 | 302 |
| **At 31 December 2022** | **5,856** | **5,856** |
| ***Net book value*** | | |
| **At 31 December 2022** | **1,563** | **1,563** |
| At 31 December 2021 | 1,401 | 1,401 |

### 12 Leases

The leases held by the Company can be split into two categories: land and buildings and plant, equipment and vehicles. The Company leases one property for its manufacturing and distribution activities. Plant, equipment and vehicles include all other leases.

The movements in the carrying value of the right-of-use assets and lease liabilities for the current and prior year are as follows:

| **Right-of-use assets** | **Land and buildings £000** | **Plant, equipment and vehicles £000** | **Total £000** |
|---|---|---|---|
| **At 1 January 2021** | **678** | **33** | **711** |
| Additions | - | 239 | 239 |
| Charge for the year | (152) | (32) | (184) |
| Re-measurement | 832 | (2) | 830 |
| **At 31 December 2021** | **1,358** | **238** | **1,596** |
| Additions | - | 98 | 98 |
| Charge for the year | (152) | (69) | (221) |
| **At 31 December 2022** | **1,206** | **267** | **1,473** |

# Notes to financial statements *(continued)*

## 12 Leases *(continued)*

| **Lease liabilities** | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| **Balance at 1 January** | **1,709** | 819 |
| Additions | **97** | 239 |
| Interest expense | **42** | 44 |
| Lease payments | **(255)** | (227) |
| Re-measurement | - | 834 |
| **Balance at 31 December** | **1,593** | 1,709 |

The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts charged to finance costs:

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Depreciation of right-of-use assets | 221 | 184 |
| Short term lease expense | - | 35 |
| Low-value lease expense | - | 4 |
| **Charged to operating profit** | **221** | 223 |
| Interest expense relating to lease liabilities | 42 | 44 |
| **Charged to profit before taxation** | **263** | 267 |

The maturity of the lease liabilities at 31 December were as follows:

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Due within one year | **233** | 208 |
| Due between one and two years | **230** | 208 |
| Due between two and five years | **615** | 604 |
| Due after more than five years | **515** | 689 |
| **Total lease liabilities** | **1,593** | 1,709 |

# Notes to financial statements *(continued)*

## 13 Stocks

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Raw material and consumables | **741** | 1,162 |
| Work in progress | **2,997** | 2,753 |
| | **3,738** | 3,915 |

The amount of stocks expensed to the profit and loss account in the year was £18,169,000 (2021: £18,243,000).

The value of stocks written down and movement in stock provision during the year amounted to a credit of £45,000 (2021: charge of £64,000).

## 14 Debtors

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Trade debtors | **5,336** | 4,831 |
| Amounts owed by group undertakings | **491** | 711 |
| Deferred tax (note 16) | **-** | 20 |
| Prepayments and accrued income | **129** | 147 |
| Derivative financial assets (note 19) | **-** | 6 |
| | **5,956** | 5,715 |

Intercompany loans are unsecured with no fixed repayment date and therefore may not be settled within the next 12 months. Interest is charged at a rate equivalent to the Group's average borrowing rate for the year.

## 15 Creditors

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

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Trade creditors | **3,519** | 4,262 |
| Amounts owed to group undertakings | **548** | 562 |
| Other creditors | **113** | 87 |
| Corporation tax | **159** | 96 |
| Other tax and social security | **430** | 509 |
| Accruals | **628** | 426 |
| Lease liabilities (note 12) | **233** | 208 |
| | **5,630** | 6,150 |

Intercompany loans are unsecured with no fixed repayment date and therefore may not be settled within the next 12 months. Interest is charged at a rate equivalent to the Group's average borrowing rate for the year.

## Notes to financial statements *(continued)*

### 15 Creditors *(continued)*

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

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Lease liabilities (note 12) | **1,360** | 1,501 |
| | **1,360** | 1,501 |

### 16 Deferred tax asset/(liability)

| | **Deferred Tax £000** |
|---|---|
| At 1 January 2022 | 20 |
| Profit and loss account | (61) |
| Statement of changes in equity | (45) |
| **At 31 December 2022** | **(86)** |

Details of amounts recognised for deferred taxation follow:

| | **2021** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Capital allowances in excess of depreciation | **(128)** | (79) |
| Short term timing differences | **23** | 73 |
| Right-of-use assets | **19** | 26 |
| Deferred tax (liability)/asset | **(86)** | 20 |

### 17 Called up share capital

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| ***Allotted, called up and fully paid*** | | |
| 1,840,000 (2021: 1,840,000) ordinary shares of £1 each | **1,840** | 1,840 |
| | **1,840** | 1,840 |

Each ordinary share carries equal voting rights and there are no restrictions on any share.

### 18 Contingent liabilities

The Company is a party to cross guarantees given for bank loans and overdrafts of the ultimate parent company and certain fellow subsidiaries amounting to £128,693,000 (2021: £146,004,000).

The Company has no other guarantees (2021: £nil).

## Notes to financial statements *(continued)*

### 19 Commitments

At the end of the prior year, the Company was committed to sell Euros, through forward contracts which matured in 2022. The Company included these derivatives in its results for the prior year (see note 14). No such forward contracts were in place at 31 December 2022.

### 20 Pension Scheme

The pension cost for the year represents contributions payable by the Company to the fund and amounted to £228,000 (2021: £241,000).

### 21 Share-based payments

Employees of the Company have been granted various options in the ultimate parent company, which have given rise to charges related to the implied share-based payments, the details of which can be found in the Financial Statements of Hill & Smith PLC.

The total expense recognised for the period arising from share based payments is as follows:

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Expensed during the year | **12** | 21 |

### 22 Related party transactions

As an ultimately wholly owned subsidiary of Hill & Smith PLC, the Company has taken advantage of the exemption available under FRS 101 not to disclose transactions that have been made between the Company and other fellow subsidiaries of Hill & Smith PLC.

### 23 Ultimate parent company and controlling party

The immediate parent of the Company is ATG Access Limited, a company registered and domiciled in England.

The ultimate parent and controlling party of the Company is Hill & Smith PLC, a company registered in England. Copies of the Group Financial Statements may be obtained from Group headquarters:

Westhaven House
Arleston Way
Shirley
Solihull
B90 4LH

### 24 Post Balance Sheet events

There were no significant post balance sheet events.