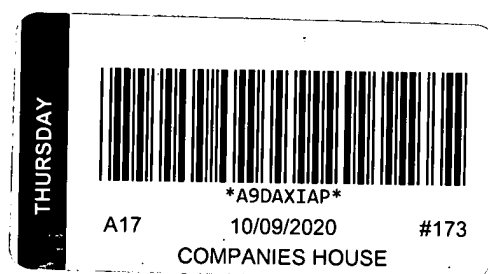


BIRTLEY GROUP LIMITED

Registered number 00602575

Annual Report and Financial Statements
For the year ended 31 December 2019



Contents

Strategic Report	1
Directors' Report	3
Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements	4
Statement by the directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006 ("the Act")	5
Independent Auditor's Report to the members of Birtley Group Limited	6
Profit and Loss Account	8
Other comprehensive (expense)/income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes	11

Strategic Report

Principal activity

The principal activity of Birtley Group Limited ('the Company') is the manufacture and distribution of products for the building industry.

Business review and future developments

Overview – Turnover for the year was £50,752,000 (2018: £51,044,000). The decrease in turnover is predominantly due to a decrease in lintel volumes, reflecting general market conditions. However, this was partially offset by continued growth in volumes in our residential door business. The Company continues to react well within all of the markets it serves, generating incremental turnover where it can, as a result.

Profit before tax is £3,032,000 (2018: £2,537,000), as the Company continues to concentrate its focus on operating efficiencies and the management of its cost base. There were a number of one off items in the prior year, namely a write off of an intercompany receivable of £619,000 with a fellow subsidiary that was struck off and a pension past service cost of £243,000 (see note 3). There are no such items in the current year.

Strategy – The Company continues to build its brand in the markets it serves, improving revenues and seeking to maximise opportunities, particularly in its steel businesses. The door business continues to operate in the traditional housebuilder market whilst enjoying volume growth in the retail and refurbishment sectors. The Company aims to continue this strategy going forward. The senior management team has continued to strengthen its infrastructure, introducing new people, equipment and systems over the last year, and this will continue to develop into the future. The Company will also look to consider any further selective acquisitions where the business and products align with our current routes to market.

Health and Safety - The Company is committed to a continuous improvement in its health and safety performance. Its activities comply with health and safety standards and legislation, with monthly meetings held and recorded. The Directors are committed to ensuring the best working conditions and welfare of the Company's employees. Further details of the Group's health and safety activities can be found in the Hill & Smith Holdings PLC Annual Report.

Corporate Social Responsibility – The Company recognises the importance of balancing the interests 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. Further details of Corporate Social Responsibility activities can be found in the Hill & Smith Holdings PLC ('the Group') Annual Report.

Brexit – Over 97% of our turnover is conducted within the UK so we have seen little effect to our business in terms of sales. Similarly we buy very little from the EU and so are not exposed to any degree with transactional issues on currency. The number of EU nationals working for us is very low, and along with our parent company we will support our employees to any extent necessary to obtain "settled status" if and when needed.

COVID-19 and Outlook – In responding to the impact of the COVID-19 pandemic, the Board's primary focus remains on ensuring the health and wellbeing of all employees. In providing guidance and advice to our employees, we continue to follow UK Government and World Health Organisation guidelines. During April 2020, the Company experienced a temporary shut-down of its operations due to the impact of COVID-19 on the Company's customer base and the corresponding reduction in demand. The business reopened on a limited basis in May and demand has gradually increased from that point. It is anticipated that 75% of the workforce will have returned to the business by the end of June. The Directors expect market activity to continue to be slower than normal over the next few months, with a gradual trend towards more normalised conditions over the remaining part of this year and into 2021. Whilst there remain uncertainties over the speed of progress depending on how the pandemic develops, the Directors believe that ultimately this is a temporary decline in performance and that the underlying market fundamentals for the business remain intact. The Board therefore believes that the medium- and longer-term outlook for the business is positive as the directors expect to see continued strong levels of infrastructure investment in our core markets in the UK.

Strategic Report (Continued)

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 risks affecting its business but none that present a significant threat to its business. The Board regularly reviews its risk profile throughout the year in order to monitor any developing risks and to create and implement appropriate mitigation activities. A full policies and procedures manual, which is available across the workforce, helps to ensure that the Company is kept up to date with legislation and current best practice.

Key performance indicators

The Group's key performance indicators are commented on in detail in the Hill & Smith Holdings PLC annual report. Those that specifically relate to the Company are as follows:

Financial – The Company considers revenue growth, operating margin, return on capital employed and net cash flow from operating activities to be its principal financial key performance indicators.

Non-financial – Health and safety, energy efficiency, emissions, use of recycled products and waste management are all principal areas of focus for the Company.

By order of the Board



C A Henderson
Secretary

19 June 2020

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

Directors' Report

The Directors present their Report and Financial Statements for the year ended 31 December 2019.

Research and development

The Company does not invest in research and development (2018: £nil).

Dividends

A dividend payment of £1,500,000 was made in the year ended 31 December 2019 (2018: £2,500,000). 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:

N Ainsley
G K Miller
T J Matthews (Appointed on 1 March 2019)
T Carmichael

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

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 Holdings 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.

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

The external audit for the year ending 31 December 2020 has been tendered during the year, as detailed in the Group's Audit Committee Report in the Group's Annual Report. KPMG will resign as the Company's auditor after completing the audit of this annual report and financial statements. In accordance with the recommendation of the Group Audit Committee, the Board intends to appoint Ernst & Young LLP to fill the casual vacancy created. The Group Audit Committee have recommended resolutions to appoint Ernst & Young LLP as the Company's auditor at the Group's 2020 Annual General Meeting.

By order of the Board



C A Henderson
Secretary

Westhaven House
Arleston Way
Shirley
Solihull
West Midlands
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, the 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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.

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

The Board of Birtley Group Limited 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 a fair return to our stakeholders by providing first-class quality and excellent service to our customers. In doing so, we want to be recognised by our employees as being a great, safe place to work where all employees are respected.

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 culture and values.

In particular, during the year under review and the period up to the date of this report we have: -

- Engaged regularly with our employees
 - Adopted our Group's values of Protecting people and our communities; Acting with integrity; Innovating and developing; Operational Excellence; and Accountability.
 - Restructured our organization and promoted from within our existing workforce
 - Following the Group-wide employee engagement survey we have introduced Works Councils and improved our communication channels to all employees.
 - Introduced Cross team collaboration through focus groups across the business
 - Subscribed to whistleblowing and wellbeing helplines.
- Engaged with suppliers and customers
 - Met with major customers one or more times annually.
 - Reorganised our Customer Service teams to provide the required level of after sales service.
 - Taken action to prevent involvement in modern slavery, corruption, bribery, and breaches of competition law
- Engaged with other stakeholders who have a relationship with our Company
 - Supported the local or national charitable endeavours of our employees and customers
 - Considered present, future, and emerging risks with external stakeholders and taken steps to mitigate them
 - Complied with environmental legislation and pursued waste-saving opportunities and reacted promptly to local community interactions.

Independent Auditor's Report to the members of Birtley Group Limited

Opinion

We have audited the financial statements of Birtley Group Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of Profit and Loss Account, Other comprehensive (expense)/income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the members of Birtley Group Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Xavier Timmermans (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

19 June 2020

Profit and Loss Account
for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	2	50,752	51,044
Cost of sales		(36,239)	(36,752)
Gross profit		14,513	14,292
Distribution costs		(4,026)	(3,872)
Administrative expenses		(7,196)	(7,815)
Operating profit before pension past service cost and re-organisation costs		3,291	3,467
Pension past service cost and reorganisation expense	3	-	(862)
Operating profit		3,291	2,605
Income from shares in subsidiary undertakings		-	-
Profit before interest and taxation		3,291	2,605
Interest receivable	7	39	64
Interest payable and similar charges	8	(298)	(132)
Profit before taxation	4	3,032	2,537
Taxation on profit	9	(522)	(537)
Profit for the financial year		2,510	2,000
Other comprehensive (expense)/income			
<i>Items that will not be classified to profit or loss:</i>			
Remeasurement of the net defined benefit pension liability		(768)	461
Taxation on other comprehensive income/(expense)		131	(78)
Other comprehensive (expense)/income for the year, net of tax		(637)	383
Total comprehensive income for the year		1,873	2,383

All operations are continuing.

The notes on pages 11 to 29 form part of the Financial Statements.

Balance Sheet
as at 31 December 2019

	Note	2019 £000	2018 £000	2018 £000
Fixed assets				
Intangible assets	10	775		162
Tangible assets	11	4,411		3,805
Right-of-use assets	12	2,528		-
		<u>7,714</u>		<u>3,967</u>
Current assets				
Stocks	14	6,365		6,249
Debtors	15	10,927		13,218
Cash at bank and in hand		4,369		4,527
		<u>21,661</u>		<u>23,994</u>
Creditors: Amounts falling due within one year	16	<u>(19,438)</u>		<u>(20,329)</u>
Net current assets			<u>2,223</u>	<u>3,665</u>
Total assets less current liabilities			<u>9,937</u>	<u>7,632</u>
Creditors: Amounts falling due after more than one year	16	<u>(2,045)</u>		-
Provisions for liabilities				
Pension liabilities	17	(4,562)		(4,422)
Net assets		<u>3,330</u>		<u>3,210</u>
Capital and reserves				
Called up share capital	19	1,400		1,400
Share premium account		336		336
Profit and loss account		1,594		1,474
Shareholder's funds		<u>3,330</u>		<u>3,210</u>

The notes on pages 11 to 29 form part of the Financial Statements.

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


G K Miller
Director

19 June 2020

Company No. 00602575

Statement of Changes in Equity
for the year ended 31 December 2019

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2018	1,400	336	1,638	3,374
Comprehensive income				
Profit for the year	-	-	2,000	2,000
Other comprehensive income for the year	-	-	383	383
Tax taken directly to the Statement of Changes in Equity	-	-	(47)	(47)
Transactions with owners recognised directly in equity				
Dividends	-	-	(2,500)	(2,500)
At 1 January 2019	1,400	336	1,474	3,210
Adoption of IFRS 16 (note 12)	-	-	(255)	(255)
At 1 January 2019 - Restated	1,400	336	1,219	2,955
Comprehensive income				
Profit for the year	-	-	2,510	2,510
Other comprehensive expense for the year	-	-	(637)	(637)
Tax taken directly to the Statement of Changes in Equity	-	-	2	2
Transactions with owners recognised directly in equity				
Dividends	-	-	(1,500)	(1,500)
At 31 December 2019	1,400	336	1,594	3,330

Notes

(forming part of the Financial Statements)

1 Accounting policies

The following accounting policies have been applied consistently in the current and prior period 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").

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), 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 Holdings PLC includes the Company in its Consolidated Financial Statements. The Consolidated Financial Statements of Hill & Smith Holdings PLC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Group Headquarters (see note 26).

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 2019

In 2019 the following standards, interpretations and amendments had been endorsed by the EU, became effective and therefore were adopted by the Company:

- IFRS 16 'Leases'
- IFRIC 23 'Uncertainty over Income Tax treatments'
- Amendments to IFRS 9 'Financial Instruments'
- Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures'
- Annual Improvements to IFRSs – 2015-2017 Cycle
- Amendments to IAS 19 'Employee Benefits'

The impact of IFRS 16 on the Company is set out below. IFRIC 23 and the other amendments have not had a material impact on the financial statements.

IFRS 16 'Leases'

IFRS 16 replaces IAS 17 'Leases' and has been adopted by the Company from 1 January 2019. The new standard requires lessees to recognise a lease liability reflecting the discounted future lease payments and a right-of-use asset for all applicable lease contracts. The present value of the Company's operating lease liabilities are now presented as a liability in the Balance Sheet, together with a right-of-use asset, which is unwound and amortised to the Profit and Loss Account over the life of the lease.

Notes (continued)

1 Accounting policies (continued)

New IFRS standards and interpretations adopted during 2019 (continued)

IFRS 16 'Leases' (continued)

Transition option adopted

The Company has applied the modified retrospective method. Therefore, comparative figures are not restated and the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings at 1 January 2019. In applying this method, the Company used historical payment data as if IFRS 16 had always existed but with the benefit of hindsight for actual changes in the leases.

The Company also applied the available practical expedients wherein it:

- Grandfathered the definition of a lease on transition. The Company has applied IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and related interpretations;
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemption to leases with lease terms that end within 12 months of the date of initial application;
- Applied the lease of low-value assets recognition exemption to leases of assets that are considered of low value; and
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The impact on retained earnings at 1 January 2019, net of tax, was a reduction of £255,000.

Change to accounting policies

The Company has lease contracts for various items of land, buildings, plant, machinery, vehicles and other equipment. Prior to 1 January 2019 and before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and principal (reduction of the lease liability). In an operating lease, the leased assets were not capitalised and the lease payments were recognised as rental expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and accruals respectively.

From 1 January 2019, the Company's accounting policy for leasing arrangements is as follows:

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.

Notes (continued)

1 Accounting policies (continued)

New IFRS standards and interpretations adopted during 2019 (continued)

IFRS 16 'Leases' (continued)

Change to accounting policies (continued)

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. Lease payments for low value assets and short term leases (less than 12 months) are recognised as an expense on a straight line basis over the lease term. Further details are included within note 12.

The weighted average incremental borrowing rate for lease liabilities recognised on 1 January 2019 was 2.4%.

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.

As the Consolidated Financial Statements of Hill & Smith Holdings 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; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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.

Notes (continued)

1 Accounting policies (continued)

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 Hill & Smith Holdings PLC group (the "Group"). The Company is a party to cross guarantees given for loans and borrowings of the ultimate parent company, Hill & Smith Holdings PLC, and certain fellow subsidiaries as shown in note 20. As a result, the Company's funding requirements are directly linked to the Group's overall financial position. At 31 May 2020 the Group had £341m of committed facilities in place and a further £13m of on-demand facilities available, providing headroom of £152m above the Group's net borrowings at the end of May of £202m. The Group's committed facilities principally comprise a c.£285m multi-currency syndicated revolving credit facility with a maturity date of January 2024, and US\$70m of senior unsecured notes in two equal tranches maturing in 2026 and 2029 respectively.

There are financial covenants associated with the Group's borrowings, which are net debt to EBITDA and interest cover. As at 31 December 2019, being the latest covenant test date, the Group's net debt to EBITDA ratio was 1.6x on a covenant basis, compared with a covenant limit of 3.0x, while interest cover was 17.9x against a covenant of at least 4.0x. Covenants are tested twice yearly at 30 June and 31 December on a 12 month historic basis.

The Group has prepared a going concern assessment for a period of at least 12 months from the date of approval of these financial statements, which includes modelling severe but plausible financial scenarios that take into consideration the current economic environment due to COVID-19. In all scenarios, the Group should be able to operate within the level of its current borrowing facilities. In the severe but plausible downside scenarios modelled, the Group should be able to meet its financial covenants for a period of at least 12 months from the date of these financial statements, including the covenant tests at 30 June 2020, 31 December 2020 and 30 June 2021. Only in an extreme scenario would a breach arise, where the future trading reduction is more detrimental than the impact of COVID-19 experienced to date. The Group's directors do not consider this plausible given the ability of the Group to continue with reduced operations throughout the pandemic and its ability to return to more normalised activity levels. The Group has a number of mitigating actions under its control including minimizing capital expenditure to critical requirements, reducing levels of discretionary spend and rationalisation of its overhead base, in order to be able to meet the covenant tests for a period of least 12 months from the date of these financial statements.

As a result of the above, the Company's ultimate parent, Hill & Smith Holdings 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 of at least 12 months from the date of these financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Consolidation

In accordance with Section 400 of the Companies Act 2006, consolidated accounts have not been prepared as the Company is a wholly owned subsidiary of Hill & Smith Holdings PLC, a company incorporated in England, which has prepared Consolidated Financial Statements to include the results of the Company.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less amounts written off for impairment. Investments are reviewed for impairment where events or circumstances indicate that their carrying value may not be recoverable.

Notes (continued)

1 Accounting policies (continued)

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. Where the Company offers discounts or volume rebates, 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.

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The Directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the Financial Statements of this departure.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

Amortisation

Amortisation is charged to 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.

Notes (continued)

1 Accounting policies (continued)

Financial instruments (continued)

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.

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	-	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.

Notes (continued)

1 Accounting policies (continued)

Leases (continued)

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. Lease payments for low value assets and short term leases (less than 12 months) are recognised as an expense on a straight line basis over the lease term.

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out 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.

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.

Notes (continued)

1 Accounting policies (continued)

Pension scheme arrangements

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The Company's employees are members of Group-wide defined benefit schemes. The net defined benefit cost of the plans is allocated to participating entities based on the employing entity of the participating employees of the scheme. The contributions payable by the participating entities are determined on the same basis.

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.

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.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each Balance Sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

The share option programme allows employees to acquire shares of the ultimate parent company Hill & Smith Holdings 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 (continued)

2 Turnover

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

	2019 £000	2018 £000
United Kingdom	49,289	49,469
Rest of Europe	1,334	1,431
Asia	17	66
Rest of the world	112	78
	<u>50,752</u>	<u>51,044</u>

In the opinion of the Directors, there is only one major product line.

3 Pension past service cost and reorganisation expense

There were no such costs in the current year.

In October 2018 the High Court handed down a judgement requiring businesses with defined benefit pension schemes to equalise historical Guaranteed Minimum Pensions (GMPs) between male and female members. In the prior year, the Group took professional advice as to the impact of this judgement and the calculation of the potential equalisation cost. The Company is a participating employer in the Group's defined benefit pension scheme. The Company's allocated share of the equalisation cost was £243,000.

In addition during 2018, as part of the ongoing rationalisation of the Group's corporate entity structure, the Company wrote off an intercompany receivable of £619,000 with a fellow subsidiary that had been struck off.

4 Profit before taxation

	2019 £000	2018 £000
Profit before taxation is stated		
<i>after charging:</i>		
Depreciation:		
Owned assets	461	475
Right-of-use assets	663	-
Amortisation of intangible assets	36	60
Operating leases:		
Plant and equipment	-	158
Other assets	-	527
Short-term leases	-	-
Low value leases	-	-
Auditor's remuneration	34	27
Foreign currency loss	-	-
	<u> </u>	<u> </u>

Notes (continued)

5 Remuneration of Directors

Aggregate Directors' remuneration for the year was as follows:

	2019	2018
	£000	£000
Emoluments	739	697
Company contributions to money purchase pension schemes	22	17
	<hr/> 761 <hr/>	<hr/> 714 <hr/>
	Number	Number
Directors exercising share options	2	4
Directors who are members of defined benefit pension schemes	-	-
	<hr/> - <hr/>	<hr/> - <hr/>

The remuneration of the highest paid Director excluding pension contributions was £267,000 (2018: £270,000). His accrued pension entitlement per annum at the year-end was £53,000 (2018: £50,000). The aggregate amount of gains made by directors on the exercise of share options was £152,000.

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:

	2019	2018
	Number	Number
Production	231	225
Administration	41	38
Sales and distribution	32	34
	<hr/> 304 <hr/>	<hr/> 297 <hr/>

The aggregate payroll costs of these persons were:

	£000	£000
Wages and salaries	9,423	9,558
Share-based payment (see note 23)	70	44
Social security costs	1,007	1,046
Other pension costs (see note 17)	366	523
	<hr/> 10,866 <hr/>	<hr/> 11,171 <hr/>

Notes (continued)

7 Interest receivable

	2019 £000	2018 £000
Bank interest receivable	39	64
	<u>39</u>	<u>64</u>

8 Interest payable and similar charges

	2019 £000	2018 £000
Interest on pension obligations	141	119
On loans from group undertakings	85	13
Interest on lease liabilities (note 12)	72	-
	<u>298</u>	<u>132</u>

9 Taxation on profit

Analysis of charge in year

	2019 £000	2018 £000
<i>UK corporation tax</i>		
Current tax for the year	343	441
Relating to the prior year	-	(5)
	<u>343</u>	<u>436</u>
Current tax charge	343	436
<i>Deferred tax (see note 18)</i>		
Current year charge	179	97
Relating to the prior year	-	4
	<u>179</u>	<u>101</u>
Deferred tax charge	179	101
	<u>522</u>	<u>537</u>

Notes (continued)

9 Taxation on profit (continued)

Factors affecting tax charge for the year

The effective current tax rate for the year is lower (2018: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2019 £000	2018 £000
<i>Total tax reconciliation</i>		
Profit before taxation	3,032	2,537
Profit multiplied by the effective rate of corporation tax in the UK of 19% (2018: 19%)	576	482
<i>Effects of:</i>		
Non-taxable expenses not deductible for tax purposes	(33)	(49)
Difference between current and deferred tax rates	(21)	(11)
Exceptional-intercompany balance write-off	-	116
Effect of change in deferred tax rate	-	-
Relating to the prior year	-	(1)
Total tax charge	522	537

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the deferred tax asset as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This change was substantively enacted on 17 March 2020. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £93,000.

Notes (continued)

10 Intangible assets

	Goodwill £000	Other intangibles £000	Capitalised R&D £000	Total £000
Cost				
At 1 January 2019	164	531	-	695
Additions	-	649	-	649
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	164	1,180	-	1,344
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation				
At 1 January 2019	140	393	-	533
Charge for the year	-	36	-	36
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	140	429	-	569
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2019	24	751	-	775
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	24	138	-	162
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

11 Tangible fixed assets

	Land and buildings £000	Plant, equipment and vehicles £000	Total £000
Cost			
At 1 January 2019	417	12,680	13,097
Additions	60	1,007	1,067
	<hr/>	<hr/>	<hr/>
At 31 December 2019	477	13,687	14,164
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2019	83	9,209	9,292
Charge for the year	8	453	461
	<hr/>	<hr/>	<hr/>
At 31 December 2019	91	9,662	9,753
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2019	386	4,025	4,411
	<hr/>	<hr/>	<hr/>
At 31 December 2018	334	3,471	3,805
	<hr/>	<hr/>	<hr/>

The gross book value of land and buildings includes freehold land of £nil (2018: £nil).

Included within plant, equipment and vehicles are assets held for hire with an accumulated cost of £nil (2018: £nil) and accumulated depreciation of £nil (2018: £nil).

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 two properties 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 year are as follows:

Right-of-use assets	Land and buildings £000	Plant, equipment and vehicles £000	Total £000
At 1 January 2019	-	-	-
Recognition on initial adoption of IFRS 16	2,401	604	3,005
Additions	-	186	186
Terminations	-	-	-
Charge for the year	(347)	(316)	(663)
	<hr/>	<hr/>	<hr/>
At 31 December 2019	2,054	474	2,528
	<hr/>	<hr/>	<hr/>

Notes (continued)

12 Leases (continued)

Lease liabilities	Total £000
Balance at 1 January 2019	-
Recognition on initial adoption of IFRS 16	3,153
Additions	180
Terminations	-
Interest expense	72
Lease payments	(728)
	<hr/>
Balance at 31 December 2019	2,677 <hr/>

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

	2019 £000
Depreciation of right-of-use assets	663
Short-term lease expense	-
Low-value lease expense	-
Sublease income	-
	<hr/>
Charged to operating profit	663 <hr/>
Interest expense relating to lease liabilities	72
	<hr/>
Charged to profit before taxation	735 <hr/>

The maturity of the lease liabilities at 31 December 2019 were as follows:

	2019 £000
Due within one year	632
Due between one and two years	492
Due between two and five years	1,234
Due after more than five years	319
	<hr/>
Total lease liabilities	2,677 <hr/>

13 Investments

The Company holds 100% of the issued share capital of Jones of Oswestry Limited, a dormant company incorporated in the UK. This company has a registered office which is the same as their ultimate parent company and is disclosed in note 26.

The Company previously held 100% of the issued share capital of Bowater Doors Limited, a dormant company incorporated in the UK. This company was dissolved on 31 December 2019.

The original cost of these investments was a nominal value and their total net book value is £nil (2018: £nil).

Notes (continued)

14 Stocks

	2019 £000	2018 £000
Raw material and consumables	4,098	4,567
Work in progress	149	102
Finished goods	2,118	1,580
	<u>6,365</u>	<u>6,249</u>

The amount of stocks expensed to the profit and loss account in the year was £34,217,000 (2018: £34,564,000).

The value of stocks written down and expensed in the profit and loss account amounted to £nil (2018: £nil).

15 Debtors

	2019 £000	2018 £000
Trade debtors	9,388	11,389
Amounts owed by group undertakings	223	246
Deferred tax (note 18)	793	814
Prepayments and accrued income	523	769
	<u>10,927</u>	<u>13,218</u>

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.

16 Creditors

Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	6,448	8,019
Amounts owed to group undertakings	6,171	4,811
Other creditors	25	19
Corporation tax	398	484
Other tax and social security	463	283
Accruals and deferred income	5,301	6,713
Lease liabilities (note 12)	632	-
	<u>19,438</u>	<u>20,329</u>

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 (continued)

16 Creditors (continued)

Creditors: amounts falling due after more than one year

	2019	2018
	£000	£000
Lease liabilities (note 12)	2,045	-
	2,045	-

17 Pension liabilities

The Company is a subsidiary of Hill & Smith Holdings PLC and participates in the Hill & Smith 2016 Pension Scheme, which has sections that provide benefits on both a defined benefit and a defined contribution basis. Details of the Schemes and the most recent actuarial valuation are contained in note 24 to the Group Financial Statements. There are also separate personal pension plans. In line with the Group's stated policy of allocating a share of the liability of the scheme between participating employers of the scheme based on the employing entity of the participating employees of the scheme, the Company has recognised 25% of the deficit of the scheme.

The pension cost for the year represents contributions payable by the company to the fund and amounted to £366,000 (2018: £523,000) including an amount of £nil (2018: £243,000) in relation to past service cost as explained in note 3.

18 Deferred tax

Details of amounts provided for deferred taxation follow:

	2019	2018
	£000	£000
Capital allowances different to depreciation	87	6
Short term timing differences	(79)	(68)
Pensions	(776)	(752)
Right-of-use assets	(25)	-
Deferred tax asset	(793)	(814)

The movements in deferred taxation during the year are as follows:

	Deferred tax asset related to pension liability £000	Deferred tax asset excluding that related to pension liability £000	Total £000
At 1 January 2019	(752)	(62)	(814)
Adoption of IFRS 16	-	(25)	(25)
At 1 January 2019 - Restated	(752)	(87)	(839)
Charge for the year	107	72	179
Movement taken to other comprehensive income	(131)	-	(131)
Movement taken to the statement of changes in equity	-	(2)	(2)
At 31 December 2019	(776)	(17)	(793)

Notes (continued)

19 Called up share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
1,300,598 (2018: 1,300,598) ordinary, voting shares of £1 each, ranking equally for voting rights	1,300	1,300
100,000 (2018: 100,000) deferred, non-voting shares of £1 each	100	100
	<u>1,400</u>	<u>1,400</u>

20 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 £223,572,000 (2018: £184,071,000).

The Company has no other guarantees (2018: £nil).

21 Commitments

The Company has adopted IFRS 16 'Leases' in the current year, as explained in Note 1 Accounting Policies. All leases, other than those that are short term or of low value are now recognised on the Balance Sheet. As a result, there are no material commitments payable under non-cancellable operating leases to disclose at 31 December 2019. The prior year comparatives have not been restated. The total future minimum commitments payable under non-cancellable operating leases as at 31 December 2018 were as follows:

	2018	
	Land and buildings £000	Other £000
Within one year	410	276
Within two to five years	1,665	323
After more than five years	753	-
	<u>2,828</u>	<u>599</u>

The Company had capital expenditure contracted but not provided in the Financial Statements at the year end of £80,000 (2018: £1,395,000).

At the year end, the Company had no forward currency commitments (2018: £nil).

22 Dividends

	2019 £000	2018 £000
Aggregate amount of dividends paid in the financial year	<u>1,500</u>	<u>2,500</u>

Notes (continued)

23 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 Holdings PLC.

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

	2019 £000	2018 £000
Expensed during the year	70	44

24 Related party transactions

As an ultimately wholly owned subsidiary of Hill & Smith Holdings 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 Holdings PLC.

25 Subsidiaries

Incorporated in the UK

Jones of Oswestry Limited ^(D) *

^(D) – Dormant Company

* *Directly held by Birtley Group Limited*

The listed subsidiary has a year-end date of 31 December. The results of the listed subsidiary is included in the consolidated results of Hill & Smith Holdings PLC, the Company's ultimate parent undertaking.

The registered office address of the above subsidiary is the same as the ultimate parent detailed in note 26.

26 Ultimate parent company and controlling party

Up until 26 September 2019, the immediate parent of the Company was Hill & Smith Galvanized Products Limited, a company registered and domiciled in England. As a result of a Group internal restructuring exercise, from 27 September 2019, the immediate parent of the Company is now Hill & Smith Holdings PLC, a company registered and domiciled in England. Hill & Smith Holdings PLC is also the ultimate parent and controlling party of the Company.

Copies of the Group Financial Statements may be obtained from Group headquarters:

Westhaven House
Arleston Way
Shirley
Solihull
B90 4LH

27 Post Balance Sheet events

The effects of COVID-19 are considered to be a non-adjusting post balance sheet event, the impact on the Company is presented in the strategic report on page 1.