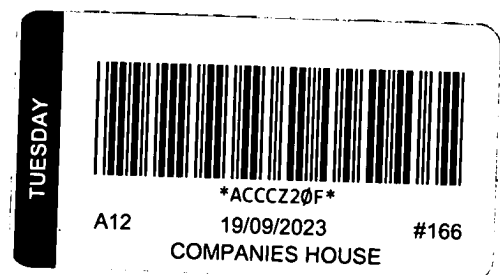


BIRTLEY GROUP LIMITED

Registered number 00602575

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



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Strategic Report

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

Principal activity

The principal activity of the Company is the manufacture and distribution of products for the building industry.

Business review and future developments

Overview – Turnover for the year from continuing operations was £33,671,000 (2021: £28,783,000) and operating profit from continuing operations was £2,752,000 (2021: £3,275,000). The company successfully implemented price rises to recover significant input cost increases. Operating margin ratio went down as a result. Demand is linked to UK housebuilding and following a strong post-Covid recovery in 2021, the market slowed in 2022 leading to lower sales volumes.

The Company underwent an internal restructure during the year, which has resulted in the hive down of two of the Company's trading divisions into subsidiary companies that are wholly owned by the Company. On 1 January 2022, the trade and certain assets of the Company's residential doors division were hived down into Bowater Doors Limited and the trade and certain assets of the Company's Expamet division were hived down into Expamet Limited. The restructuring will enable all parts of the business to focus on their future growth plans more effectively.

Strategy – The Company continues to build its brand in the markets it serves, improving revenues and seeking to maximise opportunities. 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 Hill & Smith PLC's ("the Group's") health and safety activities can be found in the Group's 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 Group's Annual Report.

Outlook – The Directors believe that the underlying market fundamentals for the business remain intact and the outlook is positive, given the strong levels of infrastructure investment.

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.

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 any exceptional items divided by the average capital employed) to be its principal financial key performance indicators.

KPI	2022	2021
Revenue growth on continued operations	17.0%	37.6%
Operating profit margin	8.2%	11.4%
Return on capital employed	100.9%	138.7%

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 compliance, energy and material efficiency, 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.

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

A separate statement has been presented on page 6.

By order of the Board



C A Henderson
Secretary
28 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 £nil on research and development during the year (2021: £nil).

Dividends

A dividend payment of £2,709,000 was made in the year ended 31 December 2022 (2021: £2,000,000). 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:

J M Anderson	
T P Cowan	
D M Beachy	
N L Mason	(appointed 1 April 2022)
R L Louvre	(appointed 1 April 2022)
J Campbell	(appointed 7 June 2023)
N Ainsley	(resigned 31 March 2022)

Political and charitable contributions

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

Employees

Details of the number of employees and related costs can be found in note 7 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. Further details on employment engagement are included within the s172(1) Directors' Statement on page 7.

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 27.

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 liabilities of £2,615,000. 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 21. 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 Korn's 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 27.

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.

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.

Information on how the Company has engaged with key stakeholders is included within the s172(1) Directors' Statement on page 7.

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 27.

By order of the Board



C A Henderson
Secretary
28 June 2023

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;
- 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.

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 considered the following principal decisions and their effect on stakeholders:

- Engaged regularly with our employees:
 - The health & safety of our employees is of paramount importance and regular training and workshops are employed throughout the year, with our lost time injury rate improving by c. 65%.
 - The quality of our people is vital in providing the best service to our customers and we have invested heavily in new talent, as well as in the development of existing staff. Diversity is very important to us and Women make up 40% of our Board.
 - Following on from our 2021 Group-wide employee engagement survey, another survey was conducted in 2022, which showed an improvement in participation level and a better engagement level. We have also implemented regular representative meetings.
 - Subscribed to whistleblowing and wellbeing helplines.
- Engaged with suppliers and customers:
 - Supply chain headwinds have been mitigated through improved planning.
 - Investment in automation and ERP has been approved and monitored throughout the year.
 - Met with major customers one or more times annually.
 - We continue our journey to bring the voice of the customer central to our business.
 - Policies and training adopted to prevent involvement in modern slavery, corruption, bribery, and breaches of competition law.
- Engaged with other stakeholders who have a relationship with our Company.
 - The Company's budget and strategic plans setting out our growth plans, product innovation, corporate structure and sustainability ambitions were approved.
 - We are committed to meet our carbon zero targets for Scopes 1 and 2 by 2040 and in 2022 reduced our Scope 1 emissions by 6.5%. Due to our use of green electricity our Scope 2 emissions were already nil. We also began to baseline our Scope 3 emissions.
 - Complied with environmental legislation as appropriate to our business.
 - 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.

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

We have audited the financial statements of Birtley Group 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 28, 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 Birtley Group 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 Birtley Group 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 Birtley Group 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: 28th June 2023

Profit and Loss Account
for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Continuing Operations			
Turnover	3	33,671	28,783
Cost of sales		(24,525)	(18,347)
		<hr/>	<hr/>
Gross profit		9,146	10,436
Distribution costs		(2,010)	(1,979)
Administrative expenses		(4,384)	(5,182)
		<hr/>	<hr/>
Operating profit before exceptional items		2,752	3,275
Exceptional items	4	(723)	-
		<hr/>	<hr/>
Operating profit		2,029	3,275
		<hr/>	<hr/>
Interest receivable	8	35	85
Interest payable and similar charges	9	(253)	(187)
		<hr/>	<hr/>
Profit before taxation from continuing operations	5	1,811	3,173
Taxation on profit	10	(350)	(653)
		<hr/>	<hr/>
Profit for the financial year from continuing operations		1,461	2,520
		<hr/>	<hr/>
Discontinued Operations			
Profit after tax for the year from discontinued operations		-	465
		<hr/>	<hr/>
Profit for the year		1,461	2,985
		<hr/>	<hr/>

Statement of Comprehensive Income

Items that will not be classified to profit or loss:

Remeasurement of the net defined benefit pension liability	(813)	758
Taxation on other comprehensive expense	203	69
	<hr/>	<hr/>
Other comprehensive (expense)/income for the year, net of tax	(610)	827
	<hr/>	<hr/>
Total comprehensive income for the year	851	3,812
	<hr/>	<hr/>

The notes on pages 14 to 34 form part of the Financial Statements.

Balance Sheet
as at 31 December 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	11	234	1,038
Tangible assets	12	2,918	3,881
Right-of-use assets	13	1,288	1,862
Investment	14	2,886	-
		7,326	6,781
Current assets			
Stocks	15	5,456	9,033
Debtors	16	6,543	11,757
Cash at bank and in hand		1,356	9,263
		13,355	30,053
Creditors: Amounts falling due within one year	17	(15,970)	(29,274)
Net current (liabilities)/assets		(2,615)	779
Total assets less current liabilities		4,711	7,560
Creditors: Amounts falling due after more than one year	17	(859)	(1,412)
Provisions for liabilities			
Pension liabilities	18	(2,116)	(2,429)
Net assets		1,736	3,719
Capital and reserves			
Called up share capital	20	1,400	1,400
Share premium account		336	336
Profit and loss account		-	1,983
Total equity shareholder's funds		1,736	3,719

The notes on pages 14 to 34 form part of the Financial Statements.

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



N Mason
Director



J M Anderson
Director
28 June 2023

Company No. 00602575

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

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity shareholder's funds £000
At 1 January 2021	1,400	336	104	1,840
Comprehensive income				
Profit for the year	-	-	2,985	2,985
Other comprehensive expense for the year	-	-	827	827
Tax taken directly to the Statement of Changes in Equity	-	-	67	67
Transactions with owners recognised directly in equity				
Dividends	-	-	(2,000)	(2,000)
At 31 December 2021	1,400	336	1,983	3,719
Comprehensive income				
Profit for the year	-	-	1,461	1,461
Other comprehensive income for the year	-	-	(610)	(610)
Tax taken directly to the Statement of Changes in Equity	-	-	(125)	(125)
Transactions with owners recognised directly in equity				
Dividends	-	-	(2,709)	(2,709)
At 31 December 2022	1,400	336	-	1,736

The share premium account represents the amount of proceeds received for shares in excess of their nominal value of £1 per share.

Profit and loss account reserve represents accumulated retained earnings.

Notes to the 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, Arlestone Way, Shirley, Solihull, B90 4LH.

2 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") and in accordance with applicable accounting standards. The Company has used a true and fair view override in respect of the non amortisation of goodwill.

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 27).

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.

Actuarial assumptions on pension obligations (Note 18)

In determining the valuation of the defined benefit pension deficit, certain estimates and assumptions about the scheme have been made, notably the inflation rates, discount rates, mortality and pension increases. The factors affecting these assumptions are influenced by wider macro-economic factors that are largely outside of the Company's control.

Customer Rebates (Note 17)

The Company offers volume rebates to customers, which requires the Company to estimate a variable element of revenue, based on the most likely amount of consideration that the Company believes it will receive. The level of judgement required is greater where the rebates are not linked to known customer sales volumes.

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.

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

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;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures in respect of the key assumptions used in the goodwill impairment review.

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 liabilities of £2,615,000. 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 21. 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.

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

Going concern (continued)

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 27.

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.

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 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.

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

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

Foreign currencies (continued)

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.

The Company classifies proceeds from the sale of by-products generated during the galvanizing process as well as the sale of scrap products generated in the manufacturing process within revenue.

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units of which there is only one. The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. If the goodwill had continued to be amortised from the date of transition to FRS 101 it would now be fully written down and there would have been no difference in the profit reported for the year to that shown in the profit and loss account.

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 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.

Notes to the financial statements (continued)

2 Accounting policies (continued)

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.

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.

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

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 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.

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

Taxation (continued)

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. Dividend income is recognised in the Profit and Loss Account on the date the Company's right to receive payment is established.

Pension scheme arrangements

Defined contribution plans

Obligations for contributions to defined contribution pension schemes are recognised as an expense as incurred.

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.

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

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.

The share option programme allows employees to acquire shares of the ultimate parent company Hill & Smith PLC. The fair value of options 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 the financial statements *(continued)*

3 Turnover

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

	2022 £000	2021 £000
United Kingdom	33,671	55,844
Rest of Europe	-	1,211
	<u>33,671</u>	<u>57,055</u>

In the opinion of the Directors, in the prior year there were three major product lines – those belonging to the Expamet division, those belonging to Bowater residential doors division and finally those belonging to the remaining Structural Steel division. As noted on page 1, the trade of Expamet and Bowater was hived down into separate entities on 1 January 2022, leaving only the Structural Steel division product line. In the prior year these were disclosed as discontinued operations, with the split noted below:

	2022 £000	2021 £000
Expamet (discontinued operation)	-	17,842
Bowater doors (discontinued operation)	-	10,430
Structural Steel (continuing operation)	33,671	28,783
	<u>33,671</u>	<u>57,055</u>

4 Exceptional items

	2022 £000	2021 £000
Intangible items written off	723	-
	<u>723</u>	<u>-</u>

The company has an ongoing IT system upgrade project. During the year certain costs previously capitalised were written off since they are not expected to provide future benefit to the company.

Notes to the financial statements *(continued)*

5 Profit before taxation

	2022 £000	2021 £000
Profit before taxation is stated		
<i>after charging:</i>		
Depreciation:		
Owned assets	237	565
Right-of-use assets	537	640
Amortisation of intangible assets	109	13
Intangible items written off (note 4)	723	-
Auditor's remuneration	72	47
	<u> </u>	<u> </u>

6 Remuneration of Directors

Aggregate Directors' remuneration for the year was as follows:

	2022 £000	2021 £000
Emoluments	618	722
Company contributions to money purchase pension schemes	35	34
	<u> </u>	<u> </u>
	653	756
	<u> </u>	<u> </u>
	Number	Number
Directors exercising share options	-	1
	<u> </u>	<u> </u>

The remuneration of the highest paid Director excluding pension contributions was £207,000 (2021: £286,000). The value of pension contributions paid into a scheme for the highest paid director was £12,000 (2021: £13,000).

The aggregate amount of gains made by directors on the exercise of share options was £nil (2021: £87,000), which includes a gain of £nil (2021: £nil) made by the highest paid director on exercise of share options.

Notes to the financial statements *(continued)*

7 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	106	217
Administration	27	36
Sales and distribution	29	31
	<hr/> 162	<hr/> 284
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were:

	£000	£000
Wages and salaries	6,055	9,955
Share-based payment (see note 24)	25	58
Social security costs	691	1,015
Other pension costs (see note 18)	306	434
	<hr/> 7,077	<hr/> 11,462
	<hr/> <hr/>	<hr/> <hr/>

8 Interest receivable

	2022 £000	2021 £000
Bank interest receivable	35	85
	<hr/> 35	<hr/> 85
	<hr/> <hr/>	<hr/> <hr/>

9 Interest payable and similar charges

	2022 £000	2021 £000
Interest on pension obligations	33	46
On loans from group undertakings	180	85
Interest on lease liabilities (note 13)	40	56
	<hr/> 253	<hr/> 187
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)

10 Taxation on profit

<i>Analysis of charge in year</i>	2022	2021
	£000	£000
<i>UK corporation tax</i>		
Current tax for the year	153	410
Relating to the prior year	(28)	(3)
	<hr/>	<hr/>
Current tax charge/(credit)	125	407
<i>Deferred tax (see note 19)</i>		
Current year charge	203	350
Relating to the prior year	22	(9)
Effect of change in tax rate	-	21
	<hr/>	<hr/>
Deferred tax charge	225	362
	<hr/>	<hr/>
Total tax charge	350	769
	<hr/>	<hr/>

Factors affecting tax charge for the year

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

	2022	2021
	£000	£000
<i>Total tax reconciliation</i>		
Profit before tax from continuing operations	1,811	3,173
Profit before tax from discontinued operations	-	581
	<hr/>	<hr/>
Accounting profit before income tax	1,811	3,754
	<hr/>	<hr/>
Profit multiplied by the effective rate of corporation tax in the UK of 19% (2021: 19%)	344	713
<i>Effects of:</i>		
Non-taxable income not deductible for tax purposes	(27)	(35)
Difference between current and deferred tax rates	50	84
Capital allowances super deduction	(4)	(2)
Impact of deferred tax rate change	-	21
Relating to the prior year	(6)	(12)
Deferred tax balance transferred to Expamet Limited	(3)	-
Deferred tax balance transferred to Bowater Doors Limited	(4)	-
	<hr/>	<hr/>
Total tax charge	350	769
	<hr/>	<hr/>
Tax reported in the profit and loss account	350	653
Tax attributed to discontinued operations	-	116
	<hr/>	<hr/>
Total tax charge	350	769
	<hr/>	<hr/>

Notes to the financial statements *(continued)*

10 Taxation on profit *(continued)*

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%).

11 Intangible assets

	Goodwill £000	Other intangibles £000	Total £000
Cost			
At 1 January 2022	164	1,469	1,633
Additions	-	31	31
Disposed of on hive down of trade and assets (note 14)	(133)	-	(133)
Disposals	-	(383)	(383)
	<hr/>	<hr/>	<hr/>
At 31 December 2022	31	1,117	1,148
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Amortisation			
At 1 January 2022	140	455	595
Charge for the year	-	109	109
Impairment (note 4)	-	723	723
Disposed of on hive down of trade and assets (note 14)	(130)	-	(130)
Disposals	-	(383)	(383)
	<hr/>	<hr/>	<hr/>
At 31 December 2022	10	904	914
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value			
At 31 December 2022	21	213	234
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2021	24	1,014	1,038
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements *(continued)*

12 Tangible fixed assets

	Land and buildings £000	Plant, equipment and vehicles £000	Total £000
Cost			
At 1 January 2022	467	14,035	14,502
Additions	12	40	52
Disposed of on hive down of trade and assets (note 14)	-	(3,142)	(3,142)
At 31 December 2022	479	10,933	11,412
Depreciation			
At 1 January 2022	106	10,515	10,621
Charge for the year	8	229	237
Disposed of on hive down of trade and assets (note 14)	-	(2,364)	(2,364)
At 31 December 2022	114	8,380	8,494
Net book value			
At 31 December 2022	365	2,553	2,918
At 31 December 2021	361	3,520	3,881

13 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 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	1,707	702	2,409
Additions	93	-	93
Charge for the year	(347)	(293)	(640)
At 31 December 2021	1,453	409	1,862
Additions	-	25	25
Charge for the year	(347)	(190)	(537)
Transfer on hive down of trade and assets (note 14)	-	(62)	(62)
At 31 December 2022	1,106	182	1,288

Notes to the financial statements *(continued)*

13 Leases *(continued)*

	2022	2021
	£000	£000
Lease liabilities		
Balance at 1 January	1,987	2,550
Additions	33	93
Transfer on hive down of trade and assets (note 14)	(57)	-
Interest expense	40	56
Lease payments	(594)	(712)
	<hr/>	<hr/>
Balance at 31 December	1,409	1,987
	<hr/> <hr/>	<hr/> <hr/>

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	537	640
	<hr/>	<hr/>
Charged to operating profit	537	640
	<hr/>	<hr/>
Interest expense relating to lease liabilities	40	56
	<hr/>	<hr/>
Charged to profit before taxation	577	696
	<hr/> <hr/>	<hr/> <hr/>

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

	2022	2021
	£000	£000
Due within one year	550	575
Due between one and two years	532	561
Due between two and five years	327	851
	<hr/>	<hr/>
Total lease liabilities	1,409	1,987
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements *(continued)*

14 Investments

	Shares in subsidiary undertakings £000
Cost	
At 1 January 2022	-
Additions	2,886
At 31 December 2022	2,886
	<hr/>
Provisions	
At 1 January 2022 and 31 December 2022	-
	<hr/>
Net realisable value	
At 31 December 2022	2,886
	<hr/>
At 31 December 2021	-
	<hr/>

Investments in subsidiary undertakings as at 31 December 2022 include:

- A 100% holding of the issued share capital of Lionweld Steel Limited (formerly Jones of Oswestry Limited), a dormant company.
- A 100% holding of the issued share capital of Bowater Doors Limited; the entity was dormant at the year-end however, as disclosed in page 1, on 1 January 2022 the trade and certain assets of the Company's residential doors division were hived down into this entity.
- A 100% holding of the issued share capital of Expamet Limited; the entity was dormant at the year-end however, as disclosed in page 1, on 1 January 2022 the trade and certain assets of the Company's Expamet division were hived down into this entity.

During the year, the Company went through a reorganisation process by which they hived down the trade and assets of the structures division into Bowater Doors Limited. The registered office address of Bowater Doors Limited is the same as the ultimate parent detailed in note 27. Details of the resulting assets and liabilities hived down are shown below:

	£000
Tangible fixed assets	440
Right-of-use assets	36
Stock	1,440
Trade and other debtors	1,416
Trade and other creditors	(1,014)
Lease liabilities	(34)
	<hr/>
Net assets hived down	2,284
	<hr/>

Notes to the financial statements *(continued)*

14 Investments *(continued)*

During the year, the Company went through a reorganisation process by which they hived down the trade and assets of the structures division into Expamet Limited. The registered office address of Expamet Limited is the same as the ultimate parent detailed in note 27. Details of the resulting assets and liabilities hived down are shown below:

	£000
Tangible fixed assets	339
Intangible assets	3
Right-of-use assets	26
Stock	3,011
Trade and other debtors	3,512
Trade and other creditors	(6,265)
Lease liabilities	(24)
	<hr/>
Net assets hived down	602
	<hr/> <hr/>

The registered office of the subsidiary undertakings listed above is the same as their ultimate parent company and is disclosed in note 27. All of the entities are incorporated in the UK.

The original cost of the investments was a nominal value and the total net book value is £nil (2021: £nil).

15 Stocks

	2022	2021
	£000	£000
Raw material and consumables	2,295	5,975
Work in progress	358	593
Finished goods	2,803	2,465
	<hr/>	<hr/>
	5,456	9,033
	<hr/> <hr/>	<hr/> <hr/>

The amount of stocks expensed to the profit and loss account in the year was £22,463,000 (2021: £38,462,000).

Notes to the financial statements *(continued)*

16 Debtors

	2022	2021
	£000	£000
Trade debtors	5,366	10,462
Amounts owed by group undertakings	321	321
Deferred tax (note 19)	430	576
Other tax and social security	162	-
Prepayments and accrued income	264	398
	<hr/> 6,543 <hr/>	<hr/> 11,757 <hr/>

17 Creditors

Creditors: amounts falling due within one year

	2022	2021
	£000	£000
Trade creditors	3,566	10,686
Amounts owed to group undertakings	5,758	7,976
Other creditors	23	39
Corporation tax	199	440
Other tax and social security	-	469
Accruals	5,874	9,089
Lease liabilities (note 13)	550	575
	<hr/> 15,970 <hr/>	<hr/> 29,274 <hr/>

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 the financial statements *(continued)*

17 Creditors *(continued)*

Creditors: amounts falling due after more than one year

	2022 £000	2021 £000
Lease liabilities (note 13)	859	1,412
	<u>859</u>	<u>1,412</u>

18 Pension liabilities

The Company is a subsidiary of Hill & Smith 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 25 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 32% of the deficit of the scheme.

The pension cost for the year represents contributions payable by the company to the fund and amounted to £306,000 (2021: £434,000).

19 Deferred tax asset

Details of amounts recognised for deferred taxation follow:

	2022 £000	2021 £000
Capital allowances different to depreciation	(160)	(294)
Short term timing differences	40	225
Pensions	523	607
Right-of-use assets	27	38
	<u>430</u>	<u>576</u>
Deferred tax asset	430	576

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

	Deferred tax asset related to pension liability £000	Deferred tax liability excluding that related to pension liability £000	Total £000
At 1 January 2022	607	(31)	576
Charge for the year	(287)	63	(224)
Movement taken to other comprehensive income	203	-	203
Movement taken to the statement of changes in equity	-	(125)	(125)
	<u>523</u>	<u>(93)</u>	<u>430</u>
At 31 December 2022	523	(93)	430

Notes to the financial statements *(continued)*

20 Called up share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
1,300,598 (2021: 1,300,598) ordinary, voting shares of £1 each, ranking equally for voting rights	1,300	1,300
100,000 (2021: 100,000) deferred, non-voting shares of £1 each	100	100
	<u>1,400</u>	<u>1,400</u>

There are no restrictions on any share.

21 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).

22 Commitments

The Company had capital expenditure contracted but not provided in the Financial Statements at the year-end of £nil (2021: £nil).

23 Dividends

	2022 £000	2021 £000
Aggregate amount of dividends paid in the financial year: £1.94 per share (2021: £1.43 per share)	2,709	2,000
	<u>2,709</u>	<u>2,000</u>

24 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 £000	2021 £000
Expensed during the year	25	58
	<u>25</u>	<u>58</u>

Notes to the financial statements *(continued)*

25 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.

26 Subsidiaries

Incorporated in the UK

Lionweld Steel Limited (formerly Jones of Oswestry Limited) ^(D) *

Expamet Limited *

Bowater Doors Limited *

^(D) – Dormant Company

* *Directly held by Birtley Group Limited*

The above subsidiaries all have a year-end date of 31 December. The results of the listed subsidiaries are included in the consolidated results of Hill & Smith PLC, the Company's ultimate parent undertaking.

The registered office address of the above subsidiaries is the same as the ultimate parent detailed in note 27.

27 Ultimate parent company and controlling party

The immediate parent of the Company is Hill & Smith PLC, a company registered and domiciled in England. Hill & Smith 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

28 Post Balance Sheet events

There were no other significant post balance sheet events.