Registered number: 02729505

HARVEY STEEL LINTELS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

COMPANY INFORMATION

Directors	D L Harvey B O'Hara G Wilkinson
Company secretary	Grafton Group Secretarial Services Limited
Registered number	02729505
Registered office	Ground Floor, Boundary House 2 Wythall Green Way Wythall Birmingham United Kingdom B47 6LW
Independent auditor	Cooper Parry Group Limited Chartered Accountants & Statutory Auditor Sky View Argosy Road East Midlands Airport Castle Donington Derby DE74 2SA

HARVEY STEEL LINTELS LIMITED

CONTENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Directors' responsibilities statement

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 judgments and accounting estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the Company during the year under review was the design, manufacture and sale of steel lintels.

Results and dividends

The profit for the year, after taxation, amounted to £203,420 (2019: £322,644).

The directors have proposed £nil (2019: £nil) as a final dividend.

Directors

The directors who served during the year and up to the date of the signing of the financial statements were:

D L Harvey
B O'Hara
G Wilkinson

Going Concern

On 16th April 2021, Grafton Group Plc, the ultimate parent company, announced that it was undertaking a strategic review of certain of its traditional merchanting businesses in Great Britain. As a result of this strategic review Grafton Group Plc announced on 1st July 2021, that it had entered into an agreement to divest its traditional merchanting business in Great Britain, of which the Company is part, to Huws Gray, one of the UK's largest independent builders' merchants. Huws Gray have notified the transaction to the Competition and Markets Authority ("CMA"). The divestment is expected to close by the end of the first quarter of 2022 and completion is not conditional on the outcome of the CMA process.

As a member of Grafton Group Plc, the Company continues to have the financial support of the Group. Huws Gray has agreed to settle these intercompany balances as part of the sale completion process.

The Company's directors have very limited detailed knowledge of and have not verified the financial structure or business plan for the Company following completion, but it would be reasonable to expect that, as part of the acquisition process, Huws Gray will make sufficient funding available for the Company to continue as a going concern.

Due to the lack of visibility for the directors with regard to the position post sale, the directors note the indication of the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Cooper Parry Group Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

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

Brian O'Hara

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B O'Hara
Director
10 September 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARVEY STEEL LINTELS LIMITED

Opinion

We have audited the financial statements of Harvey Steel Lintels Limited (the 'Company') for the year ended 31 December 2020, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 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 United Kingdom, including the Financial Reporting Council'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.

Material uncertainty related to going concern

We draw attention to note 1.4 in the financial statements, which indicates that the agreed change in ownership of the Company within the next 12 months creates material uncertainty in relation to the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARVEY STEEL LINTELS LIMITED (CONTINUED)

Opinion 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has 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 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; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 1, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our assessment focused on key laws and regulations the Company has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice and relevant tax legislation.

We are not responsible for preventing irregularities. Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor on the engagement ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Company through discussions with directors and other management, and from our commercial knowledge of the construction industry.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence where applicable; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.
- we assessed the susceptibility of the Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud.

To address the risk of fraud through management bias and override of controls, we:
- tested journal entries to identify unusual transactions;
- investigated the rationale behind significant or unusual transactions; and
- reviewed nominals of certain nominal codes for indication of any management override.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:
- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims.

Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error. Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARVEY STEEL LINTELS LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's members 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 for our audit work, for this report, or for the opinions we have formed.

Cooper Parry Group Ltd.

Melanie Hopwell (Senior statutory auditor)

for and on behalf of
Cooper Parry Group Limited

Chartered Accountants
Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA
Date: 13 September 2021

HARVEY STEEL LINTELS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
Revenue	3	1,199,009	1,506,803
Cost of sales		(327,008)	(413,821)
Gross profit		872,001	1,092,982
Distribution costs		(50,301)	(69,166)
Administrative expenses		(581,568)	(618,361)
Other operating income	4	27,018	-
Other operating charges		-	(7,403)
Operating profit	5	267,150	398,052
Interest receivable and similar income	9	1,430	1,973
Interest payable and similar expenses	10	(792)	(1,381)
Profit before tax		267,788	398,644
Tax on profit	11	(64,368)	(76,000)
Profit for the financial year		203,420	322,644

All activities derive from the continuing operations of the Company.

There was no other comprehensive income in the current year or prior year.

The notes on pages 10 to 23 form part of these financial statements.

HARVEY STEEL LINTELS LIMITED
REGISTERED NUMBER: 02729505

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note		2020 £		2019 £
Fixed assets					
Right of use assets	12		17,486		38,186
Tangible fixed assets	13		204,369		69,759
			221,855		107,945
Current assets					
Stocks	14	89,837		73,693	
Debtors: amounts falling due within one year	15	1,872,162		1,925,239	
Cash at bank and in hand		258,085		577,760	
		2,220,084		2,576,692	
Creditors: amounts falling due within one year	16	(639,485)		(1,069,993)	
Net current assets			1,580,599		1,506,699
Total assets less current liabilities			1,802,454		1,614,644
Creditors: amounts falling due after more than one year	17		-		(17,924)
Provisions for liabilities					
Deferred tax	18	(4,314)		(2,000)	
			(4,314)		(2,000)
Net assets			1,798,140		1,594,720
Capital and reserves					
Called up share capital	19		2		2
Profit and loss account	20		1,798,138		1,594,718
			1,798,140		1,594,720

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

Brian O'Hara

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B O'Hara
Director
10 September 2021

The notes on pages 10 to 23 form part of these financial statements.

HARVEY STEEL LINTELS LIMITED
REGISTERED NUMBER: 02729505

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2020	2	1,594,718	1,594,720
Profit for the year	-	203,420	203,420
At 31 December 2020	2	1,798,138	1,798,140

The notes on pages 10 to 23 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	2	1,272,074	1,272,076
Profit for the year	-	322,644	322,644
At 31 December 2019	2	1,594,718	1,594,720

The notes on pages 10 to 23 form part of these financial statements.

1. Accounting policies

1.1 Basis of preparation of financial statements

Harvey Steel Lintels Limited (the "Company") is a company limited by shares, incorporated and domiciled in England and Wales. The address of its registered office is Ground Floor, Boundary House, 2 Wythall Green Way, Wythall, Birmingham, B47 6LW, UK. The principal activity of the Company is the design, manufacture and sale of steel lintels.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The Company's financial statements are presented in pounds sterling, which is also the Company's functional currency.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The Company's ultimate parent undertaking, Grafton Group plc includes the Company in its consolidated financial statements. The consolidated financial statements for the year ended 31 December 2020 are prepared in accordance with the International Financial Reporting Standards as adopted by the United Kingdom. The consolidated financial statements are available as detailed in Note 23.

1.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement

1.3 Adoption of new and revised Standards

No new standards have been adopted in the year which have a material impact on the entity.

1. Accounting policies (continued)

1.4 Going concern

On 16th April 2021, Grafton Group Plc, the ultimate parent company, announced that it was undertaking a strategic review of certain of its traditional merchanting businesses in Great Britain. As a result of this strategic review Grafton Group Plc announced on 1st July 2021, that it had entered into an agreement to divest its traditional merchanting business in Great Britain, of which the Company is part, to Huws Gray, one of the UK's largest independent builders' merchants. Huws Gray have notified the transaction to the Competition and Markets Authority ("CMA"). The divestment is expected to close by the end of the first quarter of 2022 and completion is not conditional on the outcome of the CMA process.

As a member of Grafton Group Plc, the Company continues to have the financial support of the Group. Huws Gray has agreed to settle these intercompany balances as part of the sale completion process.

The Company's directors have very limited detailed knowledge of and have not verified the financial structure or business plan for the Company following completion, but it would be reasonable to expect that, as part of the acquisition process, Huws Gray will make sufficient funding available for the Company to continue as a going concern.

Due to the lack of visibility for the directors with regards to the position post sale, the directors note the indication of the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

1.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

A debtor is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

1.6 Leases

The Company leases properties. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets cannot be used as security for borrowing purposes.

Leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives

1. Accounting policies (continued)

1.6 Leases (continued)

receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right of use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Payments associated with short term leases and leases of low value assets are recognised on a straight line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise IT equipment and small items of office furniture.

1. Accounting policies (continued)

1.7 Government grants

Grants relating to the Coronavirus Job Retention Scheme are recognised when the requirements are met and recognised in the statement of comprehensive income within other operating income in the period to which it relates.

Grants for revenue expenditure are presented within the statement of comprehensive income in the periods in which the expenditure is recognised.

1.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

1.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.10 Pensions

Defined contribution pension plan

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.Obligations for contributions to defined pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1. Accounting policies (continued)

1.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives are as follows:

Plant and machinery	- 3-20 years
Fixtures, fittings and equipment	- 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1.13 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

1. Accounting policies (continued)

1.16 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors and creditors

Trade and other debtors and creditors are stated at amortised cost (less any impairment losses), which approximates to fair value given the short-term nature of these assets and liabilities. Trade debtors are carried at original invoice amount less an allowance for potentially unelectable debts.

Provision is made when there is objective evidence that the Company will not be in a position to collect all of its receivables when they fall due. Bad debts are written-off in the statement of comprehensive income on identification. 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.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, trade.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. Management are also required to exercise judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

In preparing these financial statements, the directors have made the following judgments:

Leases
Where the Company has an option to extend or terminate a lease, management uses its judgment to determine whether such as option would be reasonably certain to be exercised. Management considers all facts and circumstances, including past practice and costs that would be incurred if an option were to be exercised, to help them determine the lease term. Management have also applied judgments in assessing the discount rate, which are based on the incremental borrowing rate. Such judgments could impact lease terms and associated lease liabilities.

Bad debts
Trade receivables are recognised to the extent that they are judged recoverable. Management reviews are performed to estimate the level of reserves required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain.

Management makes allowance for doubtful debts based on an assessment of the recoverability of debtors. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and the charge in the statement of comprehensive income.

3. Revenue

Revenue and profit before taxation relates to the principle activity of the Company, and arise wholly within the UK.

4. Other operating income

	2020 £	2019 £
Government grants receivable - Coronavirus Job Retention Scheme	27,018	-
	27,018	-

5. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Depreciation of tangible fixed assets	19,477	10,491
Depreciation on right-of-use assets	20,700	20,776
Cost of stocks recognised as an expense	327,008	413,821

6. Auditor's remuneration

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	11,375	8,500

7. Employees

	2020 £	2019 £
Wages and salaries	377,758	378,889
Social security costs	40,982	44,036
Cost of defined contribution scheme	15,638	15,311
	434,378	438,236

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	2019 No.
Administrative and Management	4	4
Manufacturing	5	5
	9	9

8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	133,915	124,948
Directors pension costs	8,800	8,800
	142,715	133,748

During the year retirement benefits were accruing to one directors (2019 - one) in respect of defined contribution pension schemes.

Some emoluments of the directors are paid by other group companies. A recharge is made to the subsidiary by other group companies, but the management charge includes other costs and the emoluments cannot be separately identified. The directors are also directors of the parent Company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments in respect of those directors remunerated by other group companies. Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the parent Company.

9. Interest receivable and similar income

	2020 £	2019 £
Bank interest	1,430	1,973
	1,430	1,973

10. Interest payable and similar expenses

	2020 £	2019 £
Interest on lease liabilities	792	1,381
	792	1,381

11. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	49,668	76,000
Adjustments in respect of previous periods	12,386	-
Total current tax	62,054	76,000
Deferred tax		
Current year charge	3,604	-
Adjustment in respect of prior periods	(1,290)	-
Total deferred tax	2,314	-
Taxation on profit	64,368	76,000

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	267,788	398,644
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 -19%)	50,880	75,742
Effects of:		
Expenses not deductible for tax purposes	2,308	258
Impact of change in UK tax rate	84	-
Adjustments to current tax charge in respect of prior periods	12,386	-
Adjustments to deferred tax in respect of previous periods	(1,290)	-
Total tax charge for the year	64,368	76,000

11. Taxation (continued)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. 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 retention of the 19% rate was substantively enacted on 17 March 2020 and the deferred tax asset as at 31 December 2020 has been based on this rate. In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge which will increase accordingly. If this rate had been substantively enacted at the current balance sheet date, the deferred tax liability would have increased by £1,362.

12. Right of use asset

	Property and Land £
Cost	
At 1 January 2020	58,952
At 31 December 2020	58,952
Depreciation	
At 1 January 2020	20,766
Charge for the year	20,700
At 31 December 2020	41,466
Net book value	
At 31 December 2020	17,486
At 31 December 2019	38,186

The average lease term is 10 months (2019: 22 months)

The amounts recognised in the statement of comprehensive income include:

	2020 £	2019 £
Depreciation expense on right-of-use assets	20,700	20,766
Interest expense on lease liabilities	792	1,381
	21,492	22,147

13. Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 January 2020	164,420	7,072	171,492
Additions	154,087	-	154,087
Disposals	(22,500)	(495)	(22,995)
At 31 December 2020	296,007	6,577	302,584
Depreciation			
At 1 January 2020	94,661	7,072	101,733
Charge for the year	19,477	-	19,477
Disposals	(22,500)	(495)	(22,995)
At 31 December 2020	91,638	6,577	98,215
Net book value			
At 31 December 2020	204,369	-	204,369
At 31 December 2019	69,759	-	69,759

14. Stocks

	2020 £	2019 £
Raw materials and work in progress	89,837	73,693
	89,837	73,693

15. Debtors

	2020 £	2019 £
Trade debtors	161,867	217,892
Amounts owed by group undertakings	1,710,295	1,702,347
Prepayments and accrued income	-	5,000
	1,872,162	1,925,239

Amounts due from group companies do not attract interest and are repayable on demand.

Trade debtors are stated after provisions for impairment of £32,209 (2019: £32,082).

16. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	7,812	14,045
Amounts owed to group undertakings	532,851	938,655
Other taxation and social security	36,683	41,696
Lease liabilities	17,924	20,809
Accruals and deferred income	44,215	54,788
	639,485	1,069,993

Amounts due to group companies are unsecured, interest fee and repayable on demand.

17. Creditors: Amounts falling due after more than one year

	2020 £	2019 £
Lease liabilities	-	17,924
	-	17,924

18. Deferred taxation

	2020 £
At beginning of year	(2,000)
Charged to profit or loss	(2,314)
At end of year	(4,314)

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Tangible fixed asset timing differences	(6,424)	(3,000)
Short term timing differences	2,110	1,000
	(4,314)	(2,000)

19. Share capital

	2020	2019
	£	£
Allotted, called up and fully paid		
2 (2019: 2) ordinary shares of £1.00 each	2	2

20. Reserves

Profit and loss account

The profit and loss account represents accumulated profit and loss for the period and prior periods less dividends paid.

21. Contingent liabilities

The Company, along with other subsidiaries of Grafton Group plc, acts as a guarantor for the group bank and US Private Placement borrowings which drawn at the balance sheet date amounted to £275.4 million (2019: £341.4 million). Undrawn committed facilities at the balance sheet date amounted to £359.2 million (2019: £271.4 million).

In addition, the Company, along with other subsidiaries of Grafton Group plc, acts as a guarantor for other group bank overdraft facilities of £42.3 million (2019: £41.2 million) which were undrawn at the year end.

22. Other pension costs

The Company is member of a group defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the fund and amounted to £15,638 (2019: £15,311).

23. Post balance sheet events

On 16th April 2021, Grafton Group Plc, the ultimate parent company, announced that it was undertaking a strategic review of certain of its traditional merchanting businesses in Great Britain. As a result of this strategic review Grafton Group Plc announced on 1st July 2021, that it had entered into an agreement to divest its traditional merchanting business in Great Britain, of which the Company is part, to Huws Gray, one of the UK's largest independent builders' merchants. Huws Gray have notified the transaction to the Competition and Markets Authority ("CMA"). The divestment is expected to close by the end of the first quarter of 2022 and completion is not conditional on the outcome of the CMA process.

24. Controlling party

The Company's immediate parent company is Grafton Group (UK) PLC, which is the smallest group for which consolidated financial statements are prepared. The Company's ultimate parent company and controlling party is Grafton Group PLC, which is the largest group for which consolidated financial statements are prepared.

Grafton Group (UK) PLC and Grafton Group PLC are incorporated in United Kingdom and Ireland respectively.

Copies of the financial statements of Grafton Group (UK) PLC and Grafton Group PLC may be obtained from the company's registered office of ultimate parent at Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18.