CPI Mortars Limited

Annual report and financial statements

Financial Year Ended 31 December 2022

Registered number: 03291462

CONTENTS

DIRECTORS AND OTHER INFORMATION

Directors	D. Arnold A. O'Sullivan (appointed 30 March 2023) W. McFarlane (appointed 30 March 2023) G. Slark (resigned 28 November 2022) L. Dale (resigned 30 March 2023) G. Wilkinson (resigned 30 March 2023) B. O'Hara (resigned 30 March 2023)
Secretary	Grafton Group Secretarial Services Limited
Registered office	Oak Green House, 250-256 High Street Dorking Surrey United Kingdom RH4 1QT
Registered number	03291462
Auditor	PricewaterhouseCoopers Chartered Accountants and Statutory Audit firm One Spencer Dock North Wall Quay Dublin 1 Ireland
Solicitors	Lyons Davidson Victoria House 51 Victoria Street Bristol United Kingdom BS1 6AD
Bankers	HSBC Bank Plc City of London 60 Queen Victoria Street London United Kingdom EC4N 4TR

STRATEGIC REPORT

Introduction

This strategic report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006. Its purpose is to inform shareholders and help them to assess how the directors have performed their duty to promote the success of CPI Mortars Limited (the "Company").

Principal activity

The principal activity of the Company is that of manufacturing dry mortar for the UK market and the development and manufacture of packed building products and material.

Business review

The results for the year ended 31 December 2022, the balance sheet and statement of changes in equity at 31 December 2022 are set out on pages 12, 13 and 14. The directors recommended and paid a dividend of £14.5m (2021: £9m) on ordinary shares and £0 (2021: £15,992) on 'A' preference shares.

The Company recorded increases in sales and profits as the impact of the worldwide pandemic lessened and our key markets began to stabilise.

Health and safety

The Company is committed to achieving the best practicable standard of health and safety and considers health and safety to be an important element in the overall management of the business. The Company actively works to identify and minimise health and safety risks and aims to ensure that all reasonable precautions are taken to provide and maintain conditions for employees, customers and visitors alike that are safe and healthy, and in compliance with statutory requirements.

Key performance indicators

The directors believe that the following indicators will provide stakeholders with sufficient information to assess how effectively the Company is performing:

	2022 £'000	2021 £'000	Change %
Turnover (continuing operations)	81,713	68,470	19%
Operating profit	15,184	14,123	8%
Operating margin	19%	21%	
Average Headcount	199	199	

Turnover from continuing operations increased by 19% from 2021 despite a slowdown in the final months of the year as activity in the new housing market moderated. Volumes compared to 2021 were moderately lower, however several price increases were implemented to mitigate the inflationary headwinds felt within our supply chain costs, most notably in raw materials. Operating profit and margin were directly impacted by these two factors however still returned favourable results.

Future developments

Market expectations for the residential construction sector were that 2023 would see further slowing of builds given the removal of government initiatives, alongside continued high levels of inflation, cost of living challenges and increased mortgage rates. To date, this impact has not been realised to the extent expected and market insights now suggest a softening of initial outlook.

STRATEGIC REPORT - continued

Principal risks and uncertainties
The risks and uncertainties faced by the business are those typical of the concrete products sector. Influences include the level of competitor investment and activity and major new entrants to the market in which we operate as well as inflationary pressures on raw materials. These risks are mitigated by the Company's historical financial security, long standing reputation and tradition within the sector and the ability to absorb or redirect cost increases. The directors consider the Company's financial risk profile to be low.

Financial risk management objectives and policies
The Company's activities expose it to a number of financial risks including credit, cash flow and liquidity risks alongside external economy risk of downturn.

Underlying demand for new houses has been strong since the restrictions of the global pandemic have eased. Some slowing of build was noticeable in the final months of 2022 however tight cost control and price mitigation have helped support strong revenue and margins.

The Company's exposure to customer credit risk is diversified over a large customer base and the incidence of default by customers is currently in line with long-term trend rates. Past-due receivables are monitored and actively managed on an on-going basis and bad debt provisions are made as required. The maximum exposure to credit risk is the carrying amount of bank and debtors on the balance sheet (page 13).

The Company actively manages exposure to commodity price rises by securing fixed procurement deals where possible and monitors all operation costs on a constant basis to minimise exposure in the event of a downturn in the UK economy.

The Company adopts a prudent approach to liquidity management and to mitigate against cash flow and liquidity risk continuously monitors forecasted and actual cash flows and maintains sufficient cash reserves to meet its obligations.

Employment of disabled persons
All applications for employment from disabled persons are given full and fair consideration, due regard being given to the aptitude and ability of the individual and the requirements of the position concerned.

Disabled persons are treated on equal terms with other employees as regards to training, career development and promotion. In the event of an existing employee becoming disabled, every effort is made to ensure continuity of employment, and that appropriate training is given where necessary.

Statement on Section 172(1) of the Companies Act 2006

The directors of the Company, in line with their duties under s172 of the Companies Act 2006, act in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term.

The directors consider the potential impact of decisions on relevant stakeholders such as the company's employees, suppliers and customers while also having regard to a range of broader factors including the impact of the Company's operations on the community and environment and ensuring responsible business practices.

Many of the s172 factors considered by the Company can be found within the 2022 Annual Report and Accounts of the Company's holding company, Grafton Group plc, in particular as part of the Sustainability Report. Further detail on how the Company addresses these duties is set out below:

<u>Impact of the Company's operations on the community and environment</u>

CPI Mortars Limited recognises the increasingly significant role that effective environmental management has to play in its business and acknowledges its corporate responsibilities in this field. All manufacturing locations are accredited to the ISO 14001 Environmental Management standard and the BES 6001 Responsible Sourcing of Construction Products. The adoption of these standards has supported the development of our environmental systems and risk management in this area.

STRATEGIC REPORT - continued

Greenhouse Gas Emissions

The company kept a continued focus on reducing CO_2 emissions in 2022 through a number of initiatives including further growth of renewable energy sources with targets driven by our Sustainability Program.

Over recent years the company has reinvested and modernised its commercial fleet and in 2022 operated with a significant majority of vehicles that comply with the latest and most stringent Euro 6 low emissions standard. Additionally we moved a full fleet at one of our manufacturing sites over to HVO fuel in 2022, with another already in progress in 2023. Solar panels have also been installed and operational at 4 of our manufacturing sites in 2022.

Pollution and Waste

CPI strives to reduce waste sent to landfill by recycling of previously designated landfill waste.

Products and Supply Chain

The Company recognises the importance of supplying renewable and sustainable products. We actively promote responsible sourcing throughout our supply chain and have established measures within our company to ensure that we are continually improving our environmental performance.

Community and Charity support

The company is proud to support a range of community and charity initiatives. As pandemic restrictions lift, CPI Mortars Limited will once again work with schools in the communities in which we operate to provide vulnerable road user training days to schools following on from our introduction of this initiative in 2019. In 2022, we donated circa £13,000 to charities including our annual colleague step challenge in September which saw us contribute over £10,000 in support of various local and national charities.

The likely consequences of any decision in the long term

Decision making at Board and senior management level takes account of the long-term financial strategy of the Company and the overall Grafton Group, and on the requirement to maximise long term returns for the Grafton Group's shareholders and the long-term interests of the company's colleagues and other stakeholders as set out below.

Financial strategy is based around the pillars of revenue growth, operating profit margin growth, optimising capital turn and return on capital employed, and on generating strong cash flow from operations.

The Company operates a business risk register to identify, manage and mitigate key and emerging risks. Business risk management also links with the wider Grafton Group risk management process where appropriate.

The interests of the company's employees

Employee engagement

The success of the Company is dependent on the contribution and commitment of its employees. Where appropriate, employees are provided with incentives through remuneration policies that promote and encourage commitment and reward achievement. The Company provides appropriate training in order to satisfy business needs and to develop the talents and skills of employees benefiting the individual, the Company and its customers. There are well established consultative and negotiating arrangements involving employees to ensure that employee's views are considered in relation to employment conditions, health and safety, welfare and training issues.

Periodic engagement surveys are carried out which allow colleagues to provide feedback to management. Action plans to address key issues arising from the surveys are developed and monitored.

A Grafton Group Colleague Forum is now well established which provides directors of the parent company with valuable insight into the views and interests of Company colleagues. A CPI "Let's Talk" forum is now also fully embedded to encourage colleagues to have greater input into some key strategy and business initiative decisions.

STRATEGIC REPORT - continued

Relationships with suppliers and customers

Supplier management operates with a balance of direct procurement whereby individual businesses engage directly with local and national suppliers, alongside a combined procurement team across a number of business units. Additional support from the Group umbrella procurement function is available when required.

Customer service is a key priority for the Company and customer needs are prioritised when formulating strategy and making business decisions. Management of customers, marketing and brand is carried by the business with post-purchase customer satisfaction surveys in place designed to provide insight into customer experiences, identify areas for improvement and channel feedback to branch colleagues.

Corporate Governance and Business Conduct

The Directors are cognisant of the need to maintain high standards of business conduct and the Company adheres to the Grafton Group Code of Business Conduct and Ethics which is supported by policies including for Equality, Diversity and Inclusion, Anti-Bribery and Corruption, Modern Slavery, and Timber Sourcing, which are reinforced through mandatory training for colleagues.

The Company operates as part of a decentralised Group organisational structure that confers significant autonomy on local management teams. Operational and management boards are in place within each Business Unit, supported by appropriate controls at Company and Group level. The CEO of the Company reports directly to the Group CEO. The CEO and Finance Director of the Company maintain regular contact with the Group CEO, CFO and Financial Controller/Company Secretary, the Group CEO and CFO are members of the Board of Directors of the Company.

The Company avails of support as required from Grafton Group functions for areas such as procurement, health and safety, environmental, tax, company secretarial and internal audit, and external advisors are engaged as required. A robust internal audit is carried out both at business unit level by colleagues independent of the branch which is supported by wholly independent audits conducted by the Grafton Group Internal Audit function.

Grafton Group has issued a Modern Slavery Policy Statement in respect of the year ended 31 December 2022, which is available on its website graftonplc.com and which applies to the Company and other Group companies. This describes Grafton's policy on forced or involuntary labour and describes the safeguards that the Grafton Group and its businesses have in place to mitigate against the risk of modern slavery.

On behalf of the board
Anthony O'Sullivan

A O'Sullivan
Director

DIRECTORS' REPORT

The directors present their report and the financial statements of the Company for the year ended 31 December 2022.

Strategic report

The principal activities of the Company, a business review, key performance indicators, likely future developments, the principal risks and uncertainties, employment of disabled persons, employee engagement, relationships with suppliers and customers and financial risk management objectives and policies of the Company have not been included in this report as they are disclosed in the strategic report on pages 2 to 5.

Directors

The directors who held office during the year and at 31 December 2022 are outlined on page 1.

In accordance with the Articles of Association, the directors continue in office.

None of the directors benefited from qualifying third-party indemnity provisions in place either during the year or at the date of this report.

Political and charitable donations

The Company made no political contributions during the year (2021: £Nil). Donations to UK charities amounted to £12,810 (2021: £16,517).

Post balance sheet events

There have been no adverse effects on the operations of the Company since year-end.

There were no other material events since the year end which require adjustment or disclosure in these accounts.

Going Concern

The Board of Directors have concluded that the Company has adequate resources to continue in existence for the foreseeable future.

At 31 December 2022 the Company had net current liabilities of £23,445,604 including a net liability due to Group companies of £28,859,829. The ultimate parent undertaking, Grafton Group plc, has undertaken to continue to provide financial support to enable the Company to continue trading and meet its financial obligations as they fall due for payment for a period of not less than one year from the date of approval of the financial statements.

The Board is satisfied that the going concern basis is appropriate in the preparation of these financial statements.

DIRECTORS' REPORT – continued

Disclosure of information to auditors
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 auditors are 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 auditors are aware of that information.

Statutory Independent Auditors
The statutory auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

On behalf of the board
Anthony O'Sullivan

A O'Sullivan
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom) Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

Under company law 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 accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 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 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.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the board

Anthony O'Sullivan

A O'Sullivan
Director

pwc

Independent auditors' report to the members of CPI Mortars Limited

Report on the audit of the financial statements

Opinion

In our opinion, CPI Mortars Limited's financial statements:

- give a true and fair view of the state 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 (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise:

- the statement of financial position as at 31 December 2022;
- the statement of profit and loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

pwc

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

Auditors' 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 auditors' 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory body compliance , and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to unusual journals that increase profit and manipulation of accounting estimates.. Audit procedures performed by the engagement team included:

- Enquiries with management around actual and potential litigation and claims;
- Performing fraud enquiries and applying professional scepticism in our interactions with management;
- Testing journal entries and other adjustments for appropriateness; and testing of accounting estimates;
- Substantive testing of material balances, including amounts due to/from other group entities.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

John Dunne (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin, Ireland
5 July 2023

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
Financial Year Ended 31 December 2022

	Notes	2022 STG£	2021 STG£
Turnover		81,713,040	68,470,157
Operating costs	2	(66,529,483)	(54,347,191)
Operating profit		15,183,557	14,122,966
(Loss)/gain on disposal of fixed assets		(15,788)	4,723
Profit on ordinary activities before interest and taxation		15,167,769	14,127,689
Finance income	4	105,846	24,293
Finance expense	4	(76,508)	(98,992)
Profit on ordinary activities before taxation		15,197,107	14,052,990
Tax on profit on ordinary activities	5	(2,933,342)	(2,603,312)
Profit for the year		12,263,765	11,449,678
Other comprehensive expense: Items that may be subsequently reclassified to profit or loss			
Changes in fair value of cash flow hedges		(7,675)	(6,281)
Total other comprehensive expense		(7,675)	(6,281)
Total comprehensive income		12,256,090	11,443,397

The results for the year relate to continuing operations.

There is no difference between the results as disclosed in the profit and loss account at the end of the year, as stated above, and their historical cost equivalents.

The notes on pages 15 to 34 are an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	2022 STG£	2021 STG£
Fixed assets			
Intangible assets	7	21,725,776	21,040,685
Tangible assets	8(a)	26,703,503	25,962,980
Right-of-use assets	8(b)	1,986,228	2,155,000
		50,415,507	49,158,665
Current assets			
Inventories	9	2,286,619	1,876,678
Debtors	10	40,759,946	60,251,671
Cash and cash equivalents		12,177,806	10,149,470
		55,224,371	72,277,820
Creditors: amounts falling due within one year	11	(78,669,975)	(93,140,196)
Net current liabilities		(23,445,604)	(20,862,376)
Total assets less current liabilities		26,969,903	28,296,288
Creditors: amounts falling due after more than one year	12	(3,969,023)	(4,128,635)
Provision for liabilities	13	(2,365,049)	(1,370,294)
Net assets		20,635,830	22,797,359
Capital and reserves			
Called-up share capital	14	2	2
Capital contribution reserve		220,969	393,263
Cash flow hedge reserve		-	(7,675)
Profit and loss account		20,414,859	22,411,769
Shareholders' funds		20,635,830	22,797,359

The notes on pages 15 to 34 are an integral part of the financial statements.

The financial statements on pages 12 to 34 were authorised for issue by the board of directors on 5th July 2023 and where signed on its behalf.

Anthony O'Sullivan

A O'Sullivan
Director

Company Registration Number: 03291462

STATEMENT OF CHANGES IN EQUITY
As at and for the Financial Year Ended 31 December 2022

	Called-up share capital STG£	Capital contribution reserve STG£	Profit and loss account STG£	Cash Flow hedge reserve STG£	Total STG£
Balance at 1 January 2021	2	191,254	19,899,722	(1,394)	20,089,584
Total comprehensive income for the year					
Profit for the financial year	-	-	11,449,678	-	11,449,678
Other comprehensive expense	-	-	(6,281)	-	(6,281)
Total comprehensive income for the year	-	-	11,443,397	-	11,443,397
Transaction with owners recorded directly in equity					
Share based payment charge	-	264,378	-	-	264,378
Transfer from capital contribution reserve	-	(62,369)	62,369	-	-
Cash Flow Hedge Reserve	-	-	6,281	(6,281)	-
Ordinary dividends paid	-	-	(9,000,000)	-	(9,000,000)
Balance at 31 December 2021	2	393,263	22,411,769	(7,675)	22,797,359
Balance at 1 January 2022	2	393,263	22,411,769	(7,675)	22,797,359
Total comprehensive income for the year					
Profit for the financial year	-	-	12,263,765	-	12,263,765
Other comprehensive income	-	-	(7,675)	-	(7,675)
Total comprehensive income for the year	-	-	12,256,090	-	12,256,090
Transaction with owners recorded directly in equity					
Share based payment charge	-	74,706	-	-	74,706
Transfer from capital contribution reserve	-	(247,000)	247,000	-	-
Cash Flow Hedge Reserve	-	-	-	7,675	7,675
Ordinary dividends paid	-	-	(14,500,000)	-	(14,500,000)
Balance at 31 December 2022	2	220,969	20,414,859	-	20,635,830

The notes on pages 15 to 34 are an integral part of the financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1 Accounting policies

Basis of preparation
CPI Mortars Ltd (the "Company") is a company incorporated and domiciled in the United Kingdom.

These financial statements are prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK ("UK-adopted international accounting standards"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company has used a true and fair view override in respect of the non-amortisation of goodwill. 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.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
  (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  – 10(d), (statement of cash flows)
  – 16 (statement of compliance with all IFRS),
  – 38A (requirement for minimum of two primary statements, including cash flow statements),
  – 38B-D (additional comparative information),
  – 111 (cash flow statement information), and
  – 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from Contracts with Customers'.
- The requirements of paragraph 52 of IFRS 16 'Leases'

For the purposes of FRS 101 reduced disclosure exemptions, equivalent disclosures are included in the publicly available consolidated financial statements of Grafton Group plc, the ultimate parent of the Company, which the Company is consolidated into. The consolidated financial statements of Grafton Group plc are available to the public and can be downloaded free of charge from the Company's website. The website is located at www.graftonplc.com.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS – continued

1 Accounting policies – continued

Measurement convention
The financial statements are prepared on the historical cost basis.

Going concern
The Board of Directors have concluded that the Company has adequate resources to continue in existence for the foreseeable future.

At 31 December 2022 the Company had net current liabilities of £23,445,604 including a net liability due to Group companies of £28,859,829. The ultimate parent undertaking, Grafton Group plc, has undertaken to continue to provide financial support to enable the Company to continue trading and meet its financial obligations as they fall due for payment for a period of not less than one year from the date of approval of the financial statements.

The Board has taken account of the resilience of the Company, it's current position, principal risks facing the business in severe and reasonable scenarios and the effectiveness of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks that would realistically be open to them in the circumstances.

The Board is satisfied that the going concern basis is appropriate in the preparation of these financial statements.

Turnover
Turnover comprises the fair value of consideration receivable for goods supplied to customers in the ordinary course of the Company's activities and excludes value added tax.

In general, turnover is recognised to the extent that the Company has satisfied its performance obligations to the buyer and the buyer has obtained control of the goods being transferred. This generally arises when products have either been delivered to or collected by a customer and there is no unfulfilled obligation that could affect the acceptance of the products.

Turnover is recorded based on the price specified in the sales invoices/contracts net of actual and estimated returns, rebates and any discounts granted and in accordance with the terms of sale. Accumulated experience is used to estimate returns, rebates and discounts using the expected value method and turnover is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Tangible assets
Tangible assets are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to the location and condition necessary for its intended use, applicable dismantling, removal and restoration costs and borrowing costs capitalised. Assets in the course of construction are carried at cost. These assets are not depreciated until they are available for use.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS – continued

1 Accounting policies – continued

Tangible assets – continued
Depreciation, other than on freehold land which is not depreciated, is provided on cost less any estimated residual value, by equal annual instalments over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings	10 - 50 years
Office equipment	3 - 5 years
Plant and machinery	10 - 25 years
Motor vehicles	3 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each financial year. The effect of any change in either residual values or useful lives is accounted for prospectively.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of any replaced component is derecognised. Major components are treated as separate assets where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful lives.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Impairment of non-financial assets
At the end of each financial year non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash-generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash-generating unit) is estimated. The recoverable amount of the asset (or cash-generating unit) is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from continuing use of the asset (or cash-generating unit) and from its ultimate disposal.

If the recoverable amount of the asset (or cash-generating unit) is less than the carrying amount of the asset (or cash-generating unit) the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss. If an impairment loss reverses (the reasons for the impairment loss have ceased to apply), the carrying amount of the asset (or asset's cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior financial years.

Intangible assets (computer software)
Acquired computer software, including computer software which is not an integrated part of an item of computer hardware, is stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises purchase price and any other directly attributable costs.

Computer software is recognised if it meets the following criteria:

- an asset can be separately identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS – continued

1 Accounting policies – continued

Intangible assets (computer software) – continued
Costs relating to the development of computer software for internal use are capitalised once the recognition criteria outlined above are met. Computer software is amortised over its expected useful life, which ranges from 4 to 10 years, by charging equal instalments to the profit and loss account from when the assets are ready for use.

Leases
Identification of leases
The identification of leases involves judgement as IFRS 16 defines a lease as a contract (or part of a contract) that, for a period of time in exchange for consideration, conveys the right to:
- control an identified asset;
- obtain substantially all economic benefits from use of the asset; and
- direct the use of the asset

Lease term
The lease term is the non-cancellable period for which the Company has the right to use an underlying asset together with:
- periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

This assessment involves the exercise of judgement by the Company.

Initial measurement of lease liability
The lease liability is initially measured at the present value of the lease payments that are payable for the lease term, discounted using the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments);
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees (e.g. if the fair value of the asset at the end of the lease term is below an agreed amount, the lessee would pay to the lessor an amount equal to the difference between the fair value and agreed amount);
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability does not include variable elements which are dependent on external factors, e.g. payments that are based on turnover. Instead, such variable elements are recognised directly in the income statement.

Judgements applied include determining the lease term for those leases with termination or extension options and the discount rate used which is based on incremental borrowing rate. Such judgements could impact the lease term and significantly the resultant lease liability and right-of-use asset recognised.

Where a lease agreement contains a clause to restore the asset to a specified condition i.e. dilapidation costs, the Company recognises a provision for dilapidations under IAS 37 in its Balance Sheet.

Initial measurement of right-of-use asset
The right-of-use asset comprises the amount of the initial measurement of the lease liability, adjusted for:
- any lease payments made at or before the commencement date, less any lease incentives
- any initial direct costs incurred by the Company; and
- restoration costs

NOTES FORMING PART OF THE FINANCIAL STATEMENTS – continued

1 Accounting policies – continued

Subsequent measurement of lease liability
The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any material adjustments outlined above during the periods presented.

Subsequent measurement of right-of-use asset
After initial measurement, the right-of-use assets are measured at cost less accumulated depreciation, adjusted for:

- any impairment losses in accordance with IAS 36 Impairment of Assets
- any remeasurement of the lease liability.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Lease modifications
A lease modification is a change to the original terms and conditions of the lease. The effective date of the modification is deemed to be the date when both parties agree to a lease modification.

A lease modification is accounted for as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the standalone price for the increase in scope of the lease.

If both criteria are met, the Company adopts the accounting policy on the initial recognition and measurement of lease liabilities and right-of use assets. If a change in the lease terms does not meet the test outlined above, the Company must modify the initially recognised components of the lease contract.

Inventories
Inventories are valued at the lower of cost and net realisable value. Cost is based on the first-in, first-out principle and includes all expenditure incurred in acquiring the inventories and bringing them to their present location and condition. Raw materials are valued on the basis of purchase cost on a first-in, first-out basis. In the case of finished goods and work-in-progress, cost includes direct materials, direct labour and attributable overheads based on normal operating capacity and excludes borrowing costs. Net realisable value is the estimated proceeds of sale less all further costs to completion and less all cost to be incurred in marketing, selling and distribution.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS – continued

1 Accounting policies – continued

Income tax
Income tax in the income statement represents the sum of the current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income.

Current tax is based on taxable profit and represents the expected tax payable for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes certain items that are not tax deductible including property depreciation. The liability for current tax is calculated using rates that have been enacted or substantively enacted at the balance sheet date. The income tax charge reflects various allowances and reliefs and planning opportunities available in the tax jurisdictions in which the Company operates. The determination of the charge for income tax in the income statement requires estimates to be made, on the basis of professional advice, in relation to certain matters where the ultimate outcome may not be certain and where an extended period may be required before such matters are determined.

The estimates for income tax included in the financial statements are considered appropriate but no assurance can be given that the final determination of these matters will not be materially different to the estimates included in the financial statements.

Deferred tax is provided, using the liability method, on all temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled based on rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are not recognised for the following temporary differences:

- Goodwill that is not deductible for tax purposes;
- Temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or taxable profit or loss; and
- Temporary differences associated with investments in subsidiaries in which case deferred tax is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit would be available to allow all or part of the deferred tax asset to be utilised.

Foreign currencies
The financial statements are presented in 'Pounds Sterling' (STG£) which is also the Company's functional currency. Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account, within operating costs. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Employee benefits
(i) Short term employee benefits
Short term employee benefits, including wages and salaries, paid holiday arrangements and other similar non-monetary benefits, are recognised as an expense in the financial year in which employees render the related service.

(ii) Retirement benefit costs (defined contribution)
The Company operates as part of a group, a defined contribution pension scheme for the benefit of certain employees and directors. The retirement benefit costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS – continued

1 Accounting policies – continued

Financial assets
The company's financial assets include trade and other receivables, amounts owed by group undertakings, and cash and cash equivalents. These financial assets are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. The company holds trade and other receivables and amounts owed by group undertakings with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

Trade and other receivables
Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Impairment of financial assets
The Company has three types of financial assets that are subject to the expected credit loss model:

- trade and other receivables
- amounts due from Group companies
- cash and cash equivalents

For trade debtors, including intercompany trade debtors, the Company applies the simplified approach and provision is made using the expected credit loss model which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, debtors are grouped based on shared credit risk characteristics and days past due. The Company also considered any forward looking macro-economic factors when measuring expected losses.

For amounts due from Group companies, the Company applies the general approach to provisioning for expected credit losses. The general expected credit loss model requires the calculation of 12 month expected credit losses, unless the amount due from Group undertakings at the reporting date is not considered to be 'low credit risk' and is deemed to have had a 'significant increase in credit risk' since initial recognition, in which case lifetime expected credit losses should be recorded.

Financial assets at amortised cost are written-off in the profit and loss account when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and the commencement of legal proceedings.

Cash and cash equivalents is also subject to the impairment requirements of IFRS 9, the identified impairment loss is immaterial.

Financial liabilities
The company's financial liabilities include trade and other liabilities, amounts owed to group undertakings, 'A' preference shares, and derivative financial liabilities.

Trade and other liabilities, and amounts owed to group undertakings are recognised initially at fair value net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest method.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS – continued

1 Accounting policies – continued

Financial liabilities - continued
Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance cost.

Financial liabilities are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Interest income/(expense)
Interest income/(expense) is recognised using the effective interest method.

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 (see below).

Cash flow hedges
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the profit and loss account.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Preference shares which are classified as liabilities are recognised at the fair value of the consideration receivable and subsequently at amortised cost. The dividends on these preference shares are recognised in the income statement as finance expense.

Dividends
Dividends are recognised in the period in which they are approved by the Company's shareholders, or, in the case of an interim dividend, when it has been approved by the Board of Directors and paid. Dividends declared after the balance sheet date are disclosed in the post balance sheet events note.

Share-based payment transactions
The 2011 Long-Term Incentive Plan (LTIP) and the SAYE Scheme for UK employees enable employees to acquire shares in the Company subject to the conditions of these schemes. New units are issued to satisfy obligations under the SAYE scheme. Entitlements under the LTIP may be satisfied by the issue of units or by a market purchase of units. The fair value of share entitlements at the grant date is recognised as an employee expense in the income statement over the vesting period with a corresponding increase in equity. The fair value is determined by an external valuer using a binomial model. Share entitlements granted by the Company are subject to certain non-market based vesting conditions. Non-market vesting conditions are not taken into account when estimating the fair value of entitlements as at the grant date. The expense for share entitlements shown in the income statement is adjusted to reflect the number of awards for which the related non-market based vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related non-market based vesting conditions at the vesting date.

Where the Company is recharged in respect of share-based awards and options, this recharge is accounted for as a deduction from shareholders' funds.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS – continued

1 Accounting policies – continued

Accounting estimates and judgements
In preparing these financial statements management has made judgements, estimates and assumptions that affect application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates and judgements are based on historical experience and other factors, including expectation of future events that are believed to be reasonable. Actual outcomes may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The key estimates are:

(a) Impairment of financial assets at amortised cost
The Company makes an estimate of the recoverable value of financial assets at amortised cost. When assessing impairment of financial assets at amortised cost, management considers factors including the credit rating of the debtor, the ageing profile of receivables, historical experience and forward looking macro-economic factors.

(b) Goodwill
Goodwill arose from business combinations. Goodwill is required to be tested for impairment at least annually or more frequently if changes in circumstances or the occurrence of events indicate potential impairment exists. The Company uses value in use calculations to determine the recoverable amount of cash generating units containing goodwill. Value in use is calculated as the present value of future cash flows. In calculating value in use, management judgement is required in forecasting cash flows and in selecting an appropriate discount rate and nominal growth rate in perpetuity. No goodwill impairment charge was recognised by the Company in 2022 (2021: £Nil).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS - continued

2 Operating costs

	2022 STG£	2021 STG£
The operating profit has been calculated after charging/(crediting) the following items:		
Staff costs (see Note 3)	9,157,568	8,118,115
Purchases and consumables	36,694,722	30,721,293
Short-term lease expense (see Note 8b)	158,145	122,000
Lease expense on low value items (see note 8b)	14,936	23,000
Depreciation (see Note 8a)	2,906,796	2,677,781
Depreciation expense on right of use assets (see Note 8b)	407,205	392,000
Auditor's remuneration	38,190	29,301
Other operating charges	17,134,777	13,407,774
Foreign exchange loss/(gain)	-	(1;166,367)
Amortisation (see Note 7)	17,144	22,294
	66,529,483	54,347,191

3 Employees and remuneration

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

	Number of employees 2022	2021
Management	14	14
Production/distribution	156	159
Sales	12	11
Administration	17	15
	199	199

The aggregate payroll costs of these persons were as follows:

	2022 STG£	2021 STG£
Wages and salaries	8,000,479	7,011,975
Social welfare costs	854,354	707,637
Share based payments	74,706	264,378
Retirement benefit costs	228,029	197,465
	9,157,568	8,181,455
Of which:		
Directors emoluments	240,472	230,507

NOTES FORMING PART OF THE FINANCIAL STATEMENTS - continued

4 Finance income

	2022 STG£	2021 STG£
Bank interest receivable	101,366	9,428
Foreign exchange gain/(loss)	4,480	14,865
	105,846	24,293

Finance expense

	2022 STG£	2021 STG£
Interest on lease liabilities	(76,508)	(83,000)
Dividends on 'A' Preference shares	-	(15,992)
	(76,508)	(98,992)

5 Taxation

	2022 STG£	2021 STG£
Current tax		
Current year charge	2,482,503	2,391,748
Adjustments in respect of prior periods	(397,622)	(350,218)
Total current tax	2,084,881	2,041,530
Deferred tax		
Current year charge	384,764	569,940
Adjustment in respect of prior periods	463,697	(8,157)
Total deferred tax	848,461	561,783
Total tax charge	2,933,342	2,603,312

Factors affecting the tax charge for the current year
The total tax charge for the year is higher (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below.

	2022 STG£	2021 STG£
Profit on ordinary activities before taxation	15,197,107	14,052,990
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	2,887,450	2,670,068
Effects of:		
Expenditure not deductible for tax purposes	28,441	17,316
Depreciation on non-qualifying assets	(91,631)	55,290
Other differences	(403)	(95,552)
Change in UK tax rate	92,343	365,453
Recognition of deferred tax assets previously unprovided	(48,933)	(50,889)
Adjustments to current tax charge in respect of previous periods	(397,622)	(350,218)
Adjustments to deferred tax charge in respect of previous periods	463,697	(8,157)
Total tax charge for year	2,933,342	2,603,312

NOTES FORMING PART OF THE FINANCIAL STATEMENTS - continued

5 Taxation – continued

On 14th October 2022 the Government confirmed that the Corporation Tax increase from 19% to 25%, which was substantively enacted on 24th May 2021, will come into effect on 1 April 2023. At the balance sheet date, the deferred tax liability of £2,365,048 has been calculated exclusively at 25%.

Deferred Tax

	Assets 2022 STG£	Assets 2021 STG£	Liabilities 2022 STG£	Liabilities 2021 STG£	Net 2022 STG£
Tangible asset timing differences	-	-	2,444,011	1,574,147	2,444,011
Provisions/accruals	(3,893)	(51,427)	-	-	(3,893)
Other	(75,070)	(152,426)	-	-	(75,070)
Net tax (assets)/liabilities	(78,962)	(203,853)	2,444,011	1,574,147	2,365,048

6 Movement in deferred tax

	1 Jan 2022 STG£	Recognised in income STG£	Recognised in equity STG£	31 Dec 2022 STG£
Tangible asset timing differences	1,574,147	869,864	-	2,444,011
Provisions/accruals	(51,427)	47,534	-	(3,893)
Other	(152,426)	(68,937)	146,294	(75,070)
Net tax (assets)/liabilities	1,370,294	848,461	146,294	2,365,048

Deferred tax assets have been recognised in respect of certain fixed accruals where it is probable that they will be utilised against taxable profits in the foreseeable future. The carrying value of these deferred tax assets was assessed based on estimates and judgements of the availability of future taxable profits.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS - continued

7 Intangible assets

	Computer software STG£	Goodwill STG£	Total STG£
Cost			
At 31 December 2021	727,765	43,064,549	43,792,314
Additions	702,235	-	702,235
At 31 December 2022	1,430,000	43,064,549	44,494,549
Accumulated amortisation and impairment			
At 31 December 2021	139,796	22,611,833	22,751,629
Amortisation	17,144	-	17,144
At 31 December 2022	156,940	22,611,833	22,768,773
Net book value			
At 31 December 2022	1,273,060	20,452,716	21,725,776
At 31 December 2021	587,969	20,452,716	21,040,685

Intangible assets relate to the goodwill on the acquisition of the trade and assets of another group company, CPI Mortars (North) Limited, in 2003 and computer software.

Goodwill with carrying amount of £20,452,716 (2021: £20,452,716) has been allocated to one group of cash generating units ("CGU") which is considered a significant CGU. The recoverable amount has been determined on a value in use basis using cash flow projections based on financial budgets approved by management covering a five-year period. An annual impairment test was conducted which resulted in no goodwill impairment charge recognised by the Company in 2022 (2021: £Nil).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS - continued

8(a) Tangible fixed assets

	Leasehold/ freehold land and buildings STG£	Motor vehicles STG£	Plant and machinery and equipment STG£	Total STG£
Cost				
At 31 December 2021	16,645,984	10,002,599	43,984,134	70,632,717
Additions	10,769	386,244	3,301,343	3,698,356
Disposals	-	(215,749)	(660,105)	(875,854)
At 31 December 2022	16,656,753	10,173,094	46,625,372	73,455,219
Depreciation				
At 31 December 2021	6,084,415	5,115,756	33,469,566	44,669,737
Charge	291,375	973,119	1,642,301	2,906,795
Disposals	-	(184,699)	(640,117)	(824,816)
At 31 December 2022	6,375,790	5,904,176	34,471,750	46,751,716
Net book value				
At 31 December 2022	10,280,963	4,268,918	12,153,622	26,703,503
At 31 December 2021	10,561,569	4,886,843	10,514,568	25,962,980

8(b) Right-of-Use Asset

	Land & buildings STG£	Motor vehicles STG£	Total STG£
Cost			
At 31 December 2021	2,875,000	343,000	3,218,000
Additions	215,617	22,816	238,433
End of lease	(155,766)	-	(155,766)
At 31 December 2022	2,934,851	365,816	3,300,667
Depreciation			
At 31 December 2021	928,000	135,000	1,063,000
Charge	314,446	92,759	407,205
Disposals	(155,766)	-	(155,766)
At 31 December 2022	1,086,680	227,759	1,314,439
Net book value			
At 31 December 2022	1,848,171	138,057	1,986,228
At 31 December 2021	1,947,000	208,000	2,155,000

NOTES FORMING PART OF THE FINANICAL STATEMENTS - continued

8(b) Right-of-Use Asset - continued

The amounts recognised in the income statement include:	2022 STG£	2021 STG£
Depreciation expense on right-of-use assets (Note 2)	407,205	392,000
Interest expense on lease liabilities (Note 4)	76,508	83,000
Expense relating to short-term leases (Note 2)	158,145	122,000
Expense relating to leases of low-value assets (Note 2)	14,936	23,000

The total cash outflow for leases amounted to £672,000 (2021: £595,000). The average lease term remaining is 31 Months (2021: 37 Months).

There have been no sale and leaseback transactions in the current year.

9 Inventories

	2022 STG£	2021 STG£
Raw materials	1,288,684	1,009,636
Packaging	680,860	693,178
Work in progress	13,520	7,123
Finished goods	303,555	166,741
	2,286,619	1,876,678

10 Debtors

	2022 STG£	2021 STG£
Amounts falling due within one year		
Trade receivables	6,568,948	6,915,132
Prepayments and other receivables	670,238	477,312
Amounts due from Group companies	33,520,760	52,859,227
	40,759,946	60,251,671

Amounts due from Group companies are unsecured, interest free and payable on demand.

11 Creditors: amounts falling due within one year

	2022 STG£	2021 STG£
Trade creditors	10,815,583	9,837,223
Accruals and deferred income	1,951,973	1,773,465
Lease liabilities (Note 12)	366,934	349,000
Derivative financial liabilities	-	7,675
Amounts due to Group companies	62,380,588	78,408,777
VAT	865,601	529,228
Social Security	209,155	192,999
Corporation tax	2,080,140	2,041,830
	78,669,975	93,140,196

Amounts due to Group companies are unsecured, interest free and payable on demand.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS - continued

12 Creditors: amounts falling due after one year

	2022 STG£	2021 STG£
'A' preference shares (Note 14)	2,274,635	2,274,635
Lease liabilities	1,694,388	1,854,000
	3,969,023	4,128,635

Lease liabilities are further analysed as:	2022 STG£	2021 STG£
Falling due within one year	366,934	349,000
Falling due after one year	1,694,388	1,854,000
	2,061,322	2,203,000

Lease Liabilities - maturity analysis	2022 STG£	2021 STG£
Due within 1 year	366,934	349,000
Between 1 and 2 years	353,744	326,000
Between 2 and 3 years	324,830	305,000
Between 3 and 4 years	317,698	274,000
Between 4 and 5 years	288,452	271,000
After 5 years	409,664	678,000
	2,061,322	2,203,000

The weighted average lessee incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at 31 December 2022 is 3.3%.

13 Provision for liabilities and charges

	2022 STG£	2021 STG£
Deferred tax		
Opening balance	1,370,294	871,851
Deferred tax movement –Note 6	994,755	498,443
Closing balance	2,365,049	1,370,294

NOTES FORMING PART OF THE FINANCIAL STATEMENTS - continued

14 Called-up share capital

	2022 STG£	2021 STG£
Equity shares		
Authorised		
1,000 ordinary shares of STG£1 each	1,000	1,000
Allotted, called up and fully paid		
2 ordinary shares of STG£1 each	2	2
Preference shares		
Authorised		
5,000,000 'A' preference shares of STG£1 each	5,000,000	5,000,000
Allotted, called up and fully paid		
2,274,635 'A' preference shares of STG£1 each	2,274,635	2,274,635

The preference shares were issued at par and were fully paid up. The holders of the preference shares are entitled to a fixed cumulative preferential dividend at a floating rate which is calculated as 70% of LIBOR plus 0.65%. On winding-up, these rank first and will be entitled to the amount paid on subscription together with any dividend arrears. The preference shares do not entitle the holder to vote at any general meetings unless the dividends are six months or more in arrears, in which case the holders will be entitled to vote. These terms mean that the preference shares are recognised as a liability of the Company and the dividends as a component of interest payable.

During the year a dividend of £7,250,000 (2021: £4,500,000) per share was paid to ordinary shareholders resulting in a total dividend payment of £14,500,000 (2021: £9,000,000) to ordinary shareholders.

15 Share based payments

The Group's employee share schemes are equity settled share based payments as defined in IFRS 2 *Share Based Payments*.

Details of the schemes operated by the Group are set out below:

Long Term Incentive Plan (LTIP)
A Long Term Incentive Plan (LTIP) was introduced in 2011. Details of the plan are set out in the financial statements of Grafton Group plc. The 2011 LTIP is an incentive plan that is designed to reward Executive Directors and senior executives in a manner that aligns their interests with those of shareholders. An Executive Director nominated to participate in the plan is granted an award over "free shares" which vest subject to the achievement of performance conditions measured over three financial years and the Executive Director remaining employed in the Group. The LTIP granted in September 2020 is not subject to any performance condition. Vesting will be subject to participants' continued employment withing the group at the vesting date.

The number of share awards is as follows:	2022 Number	2021 Number
Exercised	(796,902)	(82,675)
Outstanding at 31 December	1,454,899	2,139,304

NOTES FORMING PART OF THE FINANCIAL STATEMENTS - continued

15 Share Based Payments - continued

At 31 December 2022 and 31 December 2021 none of the LTIP's were exercisable as the conditions for exercise were not fulfilled before the year-end.

UK SAYE Scheme
Options over 727,248 (2021: 1,169,931) Grafton Units were outstanding at 31 December 2022, pursuant to the 2022 and the existing 2020 and 2019 three year saving contracts under the Grafton Group (UK) plc 2011 approved SAYE Plan at a price of £7.93, £5.78 and £6.33 respectively. These options are normally exercisable within a period of six months after the third anniversary of the savings contract, being June 2025 for the 2022 SAYE scheme, December 2023 for the 2020 SAYE scheme and December 2022 for the 2019 SAYE scheme.

The number and option price of share options under the 2017 Grafton Group (UK) plc Savings Related Share Option Scheme is as follows:

	2021	
	Number	Option Price €
Exercised	(210,181)	6.77
Outstanding at 31 December	-	

The number and option price of share options under the 2018 Grafton Group (UK) plc Savings Related Share Option Scheme is as follows:

	2022		2021	
	Number	Option Price €	Number	Option Price €
Exercised	(81,667)	6.58	(242,068)	6.58
Outstanding at 31 December	-		96,264	

The number and option price of share options under the 2019 Grafton Group (UK) plc Savings Related Share Option Scheme is as follows:

	2022		2021	
	Number	Option Price €	Number	Option Price €
Exercised	(164,887)	6.33	(1,139)	6.33
Outstanding at 31 December	36,541		252,869	

NOTES FORMING PART OF THE FINANCIAL STATEMENTS - continued

15 Share based payments - continued

The number and option price of share options under the 2020 Grafton Group (UK) plc Savings Related Share Option Scheme is as follows:

	2022		2021	
	Number	Option Price €	Number	Option Price €
Exercised	(168,157)	5.78	-	5.78
Outstanding at 31 December	366,513		820,798	

There were no SAYE grants in 2021.

The number and option price of share options under the 2022 Grafton Group (UK) plc Savings Related Share Option Scheme is as follows:

	2022	
	Number	Option Price €
Exercised	-	7.93
Outstanding at 31 December	324,194	

At 31 December 2022 none of the 2022 or the 2020 UK SAYE shares were exercisable. The weighted average remaining life is 1.8 years. (2021: 1.2 years).

16 Retirement benefit commitments

The Company operates a defined contribution pension scheme for the benefit of employees and directors.

The retirement benefit costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting year.

The retirement benefit charge for the year amounted to £228,029 (2021: £197,465).

17 Guarantees and contingencies

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 £255.7 million (2021: £257.5 million). Undrawn committed facilities at the balance sheet date amounted to £226.9 million (2021: £394.7 million).

In addition, the Company, along with other subsidiaries of Grafton Group plc, acts as a guarantor for other group bank overdraft facilities of £27.0 million (2021: £26.0 million) which were undrawn at the year end.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS - continued

18 Parent undertaking

The Company is a subsidiary of Grafton Group (UK) plc. The ultimate parent undertaking is Grafton Group plc. Grafton Group (UK) plc and CPI Mortars Limited are incorporated and operate in the U.K. while Grafton Group plc is incorporated and operates in the Republic of Ireland.

Consolidated financial statements are prepared only by Grafton Group plc. These statements are filed at the Companies Office, Parnell Square, Dublin 1.

19 Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned group members.

20 Post balance sheet events

The Directors are not aware of any post balance sheet events that would have adverse effects on the operations of the Company since year-end.

There were no other material events since the year end which require adjustment or disclosure in these accounts.

21 Approval of financial statements

These financial statements were approved by the directors on 5th July 2023.