

Financial Statements

The Ames Companies UK Limited

For the year ended 30 September 2018

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COMPANIES HOUSE

Registered number: 10811776

Company Information

Directors	D E McGrath (resigned 3 June 2019) S A Hupfeld R F Mehmel M R Traylor (resigned 15 March 2018) A N Harker (appointed 19 March 2018) B G Harris (appointed 9 April 2018)
Company secretary	D E McGrath (resigned 3 June 2019) A N Harker (appointed 3 June 2019)
Registered number	10811776
Registered office	The Old Airfield Heck And Pollington Lane Pollington East Yorkshire DN14 0BA
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Senior Statutory Auditor 2 Glass Wharf Bristol BS2 0EL

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Group Strategic Report

For the Year Ended 30 September 2018

Introduction

The Directors present the strategic report for the year ended 30 September 2018.

Business review

The Directors are pleased with the Group's performance during the year ending 30th September 2018. The Group's sales revenues and operating profit remain strong.

The Group continued to invest in product development and people.

On 13 February 2018 the Group acquired Altia Holdings Limited along with its trading subsidiary Kelkay Limited. The Group also acquired the trade and assets of Anchorfast Limited on 27 July 2018.

Principal risks and uncertainties

The Group's business may be affected by fluctuations in the price and supply of materials, particularly fluctuations in the GBP against the USD. The Group's sales and pricing policies seek to mitigate such risks where possible.

Some of the retail customers review product ranging on an annual basis leading into the next season. This presents uncertainties with regards to confirmed ranging year on year. The Group's strong relationship with customers and innovative product minimises this risk.

This report was approved by the board on 25 June 2019 and signed on its behalf.



Antony Harker
Director

Directors' Report (continued)

For the Year Ended 30 September 2018

The directors present their report and the financial statements for the year ended 30 September 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements 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 Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £796,152 (loss for the 4 month period in 2017: £454,433).

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

D E McGrath (resigned 3 June 2019)
S A Hupfeld
R F Mehmehl
M R Traylor (resigned 15 March 2018)
A N Harker (appointed 19 March 2018)
B G Harris (appointed 9 April 2018)

Directors' Report (continued)

For the Year Ended 30 September 2018

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 and the Group'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 and the Group's auditor is aware of that information.


Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 25 June 2019 and signed on its behalf.



Antony Harker
Director



Independent Auditor's Report to the Shareholders of The Ames Companies UK Limited (continued)

Opinion

We have audited the financial statements of The Ames Companies UK Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2018, which comprise the group statement of comprehensive income, the group and company statements of financial position, the group and company statements of changes in equity, the group statement of cash flows and notes to the financial statements, 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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2018 and of the group's 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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 Shareholders of The Ames Companies UK Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, 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 group's and the parent 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 group or the parent 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.

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 Shareholders of The Ames Companies UK Limited (continued)

Use of our report

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

A large, stylized handwritten signature in black ink, appearing to read "Tim Lincoln".

Tim Lincoln
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Bristol
Date:

26 June 2019

Consolidated Statement of Comprehensive Income

For the Year Ended 30 September 2018

		30 September 2018	4 month period 30 September 2017
	Note	£	£
Turnover	4	34,344,140	1,208,800
Cost of sales		(25,275,299)	(999,399)
Gross profit		9,068,841	209,401
Administrative expenses		(6,555,889)	(593,540)
Operating (loss)/profit	5	2,512,952	(384,139)
Interest receivable and similar income	9	3,724	9,331
Interest payable and expenses	10	(1,147,900)	(79,625)
Profit/(loss) before taxation		1,368,776	(454,433)
Tax on profit	11	(572,624)	-
Profit/(loss) for the year/period		796,152	(454,433)

There was no other comprehensive income for 2018 (2017: nil).

The notes on pages 13 to 33 form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 September 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	13	40,175,041	5,610,068
Tangible assets	14	8,344,310	77,475
		<u>48,519,351</u>	<u>5,687,543</u>
Current assets			
Stocks	16	7,123,602	1,992,036
Debtors: amounts falling due within one year	17	7,397,997	1,300,753
Cash at bank and in hand	18	5,421,739	2,222,244
		<u>19,943,338</u>	<u>5,515,033</u>
Creditors: amounts falling due within one year	19	(8,072,944)	(10,456,297)
Net current assets / (liabilities)		<u>11,870,394</u>	<u>(4,941,264)</u>
Total assets less current liabilities		<u>60,389,745</u>	<u>746,279</u>
Creditors: amounts falling due after more than one year	20	(33,079,080)	(600,000)
Provisions for liabilities			
Deferred taxation	22	(4,868,945)	(600,711)
		<u>(4,868,945)</u>	<u>(600,711)</u>
Net assets / (liabilities)		<u><u>22,441,720</u></u>	<u><u>(454,432)</u></u>
Capital and reserves			
Called up share capital	23	1	1
Other Equity	24	22,100,000	-
Profit and loss account	24	341,719	(454,433)
		<u><u>22,441,720</u></u>	<u><u>(454,432)</u></u>

The notes on pages 13 to 33 form part of these financial statements. The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 June 2019.


A N Harker
Director

The Ames Companies UK Limited
Registered number:10811776


Company Statement of Financial Position

As at 30 September 2018

	Note	2018 £	2017 £
Fixed assets			
Investments	15	55,227,341	9,175,000
		<u>55,227,341</u>	<u>9,175,000</u>
Current assets			
Debtors: amounts falling due within one year	17	74,009	480,956
Cash at bank and in hand	18	974,453	-
		<u>1,048,462</u>	<u>480,956</u>
Creditors: amounts falling due within one year	19	(3,028,264)	(9,179,624)
Net current liabilities		<u>(1,979,802)</u>	<u>(8,698,668)</u>
Total assets less current liabilities		<u>53,247,539</u>	<u>476,332</u>
Creditors: amounts falling due after more than one year	20	(32,789,888)	(600,000)
Net assets / (liabilities)		<u><u>20,457,651</u></u>	<u><u>(123,668)</u></u>
Capital and reserves			
Called up share capital	23	1	1
Other Equity	24	22,100,000	-
Profit and loss account		(1,642,350)	(123,669)
		<u><u>20,457,651</u></u>	<u><u>(123,668)</u></u>

The notes on pages 13 to 33 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 June 2019.


Antony Harker
Director

Consolidated Statement of Changes in Equity

For the Year Ended 30 September 2018

	Called up share capital	Other equity	Profit and loss account	Total equity
	£	£	£	£
Comprehensive income for the 4 months				
Loss for the 4 months	-	-	(454,433)	(454,433)
Total comprehensive income for the 4 months	-	-	(454,433)	(454,433)
Shares issued during the 4 months	1	-	-	1
Total transactions with owners	1	-	-	1
At 01 October 2017	<u>1</u>	<u>-</u>	<u>(454,433)</u>	<u>(454,432)</u>
Comprehensive income for the year				
Profit for the year	-	-	796,152	796,152
Total comprehensive income for the year	-	-	796,152	796,152
Contribution from parent	-	22,100,000	-	22,100,000
Total transactions with owners	-	22,100,000	-	22,100,000
At 30 September 2018	<u>1</u>	<u>22,100,000</u>	<u>341,719</u>	<u>22,441,720</u>

Company Statement of Changes in Equity

For the Year Ended 30 September 2018

	Called up share capital	Other equity	Profit and loss account	Total equity
	£	£	£	£
Comprehensive income for the period				
Loss for the 4 months	-	-	(123,669)	(123,669)
Total comprehensive income for the 4 months	-	-	(123,669)	(123,669)
Shares issued during the 4 months	1	-	-	1
Total transactions with owners	1	-	-	1
At 01 October 2017	<u>1</u>	<u>-</u>	<u>(123,669)</u>	<u>(123,668)</u>
Comprehensive income for the period				
Loss for the year	-	-	(1,518,681)	(1,518,681)
Total comprehensive income for the year	-	-	(1,518,681)	(1,518,681)
Contribution from parent	-	22,100,000	-	22,100,000
Total transactions with owners	-	22,100,000	-	22,100,000
At 30 September 2018	<u>1</u>	<u>22,100,000</u>	<u>(1,642,350)</u>	<u>20,457,651</u>

The notes on pages 13 to 33 form part of these financial statements.

The Ames Companies UK Limited

Consolidated Statement of Cash Flows

For the Year Ended 30 September 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit / (Loss) for the financial year (2017: 4 months)	796,152	(454,433)
Adjustments for:		
Amortisation of intangible assets	1,466,618	95,086
Depreciation of tangible assets	371,445	4,619
Interest paid	1,147,870	79,625
Foreign Exchange gain	(117,383)	14,496
(Increase) / Decrease in stocks	(1,168,403)	11,826
(Increase) / Decrease in debtors	(1,045,950)	1,279,738
Increase / (Decrease) in creditors	1,583,881	348,932
Corporation tax (paid)/received	(1,841,063)	(338,283)
Net cash generated from operating activities	1,193,167	1,041,606
Cash flows from investing activities		
Purchase of tangible fixed assets	(831,212)	(7,545)
Acquisition of subsidiary	(39,392,184)	(7,921,148)
Acquisition of trade and assets	(774,330)	-
Interest received	3,724	9,331
Net cash from investing activities	(40,994,002)	(7,919,362)
Cash flows from financing activities		
New loans from group companies	21,122,574	9,100,000
Capital contribution received	22,100,000	-
New external borrowings	18,000,000	-
Loans repaid in the year	(17,716,004)	-
Interest paid	(506,240)	-
Net cash used in financing activities	43,000,330	9,100,000
Net increase in cash and cash equivalents	3,199,495	2,222,244
Cash and cash equivalents at the end of year / period	<u>5,421,739</u>	<u>2,222,244</u>
Cash and cash equivalents at the end of year / period comprise:		
Cash at bank and in hand	5,421,739	2,222,244
	<u>5,421,739</u>	<u>2,222,244</u>

Notes to the Financial Statements

For the Year Ended 30 September 2018

1. General information

The Ames Companies UK Limited is a private company limited by shares and registered in England and Wales. Its registered head office is located at The Old Airfield, Heck and Pollington Lane, Pollington, East Yorkshire DN14 0BA. The Company was incorporated on 9 June 2017 and therefore the comparative period presents results for the 4 month period ending 30 September 2017. On 31 July 2017 the Company acquired 100% of the share capital of La Hacienda Limited. On 13 February 2018 the Company then acquired Altia Holding Limited along with its trading subsidiary Kelkay Limited. The Group also acquired the trade and assets of Anchorfast Limited on 27 July 2018.

The principal activity of the Group during the period was the wholesale of outdoor heating, garden décor, hand tools, decorative aggregates, paving and associated garden products.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, except for certain financial instruments at fair value and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time; and,
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Notes to the Financial Statements

For the Year Ended 30 September 2018

2. Accounting Policies (continued)

2.3 Going concern

The directors have reviewed the profit and loss and cash flow forecasts of the group. As a result, the directors consider that the group has adequate resources to continue operations for the foreseeable future, being a period of not less than twelve months from the date of signing the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated statement of comprehensive income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Goodwill	-	10	years
Tradenames, Designs and Customer relationships	-	10 - 15	years

Notes to the Financial Statements

For the Year Ended 30 September 2018

2. Accounting Policies (continued)

2.6 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.

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 and reducing balance method.

Depreciation is provided on the following basis:

Long-term leasehold property	- 10% straight line
Plant and machinery	- 25-33% reducing balance
Motor vehicles	- 25% reducing balance
Office equipment	- 25% reducing balance
Computer equipment	- 25-33% straight line

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 the Consolidated statement of comprehensive income.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 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 weighted average basis.

At each reporting 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.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 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.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Notes to the Financial Statements

For the Year Ended 30 September 2018

2. Accounting policies (continued)

2.11 Financial instruments

The Group enters into basic and non-basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties, investments in non-puttable ordinary shares and forward exchange contracts.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Derivatives comprise forward foreign exchange contracts and are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The Group does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Notes to the Financial Statements

For the Year Ended 30 September 2018

2. Accounting policies (continued)

2.13 Foreign currency translation (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

2.14 Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income 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.

2.15 Operating leases (the Group as lessee)

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

2.16 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

2.17 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of financial position date.

Notes to the Financial Statements

For the Year Ended 30 September 2018

2. Accounting policies (continued)

2.18 Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group 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 the Consolidated statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position 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 Statement of financial position.

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, 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 reporting date in the countries where the Company and the Group operate and generate 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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.

Notes to the Financial Statements

For the Year Ended 30 September 2018

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

In preparing financial statements in accordance with FRS 102, management is required to make judgements on the basis of estimates and assumptions that affect the reported amount of assets and liabilities at the reporting date.

Management reviews the estimates and assumptions on a continuous basis, by reference to past experiences and other factors that can reasonably be used to assess the book value of assets and liabilities. Actual results may differ from those estimates.

Judgements and estimates that have the most significant impact on the amounts reported in these financial statements and have a risk of causing a material adjustments to the carrying amount of assets and liabilities are outlined below:

- Useful lives of tangible assets - management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.
- Useful lives of intangible assets - management reviews its estimate of the useful lives of amortisable assets at each reporting date, based on the expected utility of the assets.
- Valuation of intangibles - management reviews the valuation of intangible assets acquired in business combinations.
- Inventory provision - management reviews its stock listing to identify potentially obsolete stock.
- Warranty, credit note and bad debt provision - management identifies potential provisions based on past experience with warranty and credit note claims as well as customer knowledge.

4. Turnover

The whole of the turnover is attributable to the principal activity of the group.

Analysis of turnover by country of destination:

	Year ended 30 September 2018 £	4 month period 30 September 2017 £
United Kingdom	31,885,410	747,228
Rest of the world	2,458,730	461,572
	<u>34,344,140</u>	<u>1,208,800</u>

Notes to the Financial Statements

For the Year Ended 30 September 2018

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	Year ended 30 September 2018 £	4 month period 30 September 2017 £
Depreciation of tangible fixed assets	371,445	4,619
Amortisation of intangible assets, including goodwill	1,466,618	95,086
Exchange differences	(117,383)	14,496
Other operating lease rentals	208,652	27,512
Defined contribution pension cost	<u>26,698</u>	<u>15,501</u>

6. Auditor's remuneration

	Year ended 30 September 2018 £	4 month period 30 September 2017 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>52,000</u>	<u>26,500</u>

Notes to the Financial Statements

For the Year Ended 30 September 2018

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Year ended 30 September 2018 £	4 month period ended 30 September 2017 £
Wages and salaries	2,940,143	239,761
Social security costs	386,955	21,538
Cost of defined contribution scheme	26,698	15,501
	<u>3,353,796</u>	<u>276,800</u>

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

	Year ended 30 September 2018 £	4 month period ended 30 September 2017 £
Production	88	10
Administration	61	36
Directors	3	-
	<u>152</u>	<u>46</u>

8. Directors' remuneration

	Year ended 30 September 2018 £	4 month period ended 30 September 2017 £
Remuneration for qualifying services	291,836	-
Company pension contributions to defined contribution schemes	16,616	-
	<u>308,452</u>	<u>-</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2017 - 0).

Notes to the Financial Statements

For the Year Ended 30 September 2018

8. Directors' remuneration (continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	Year ended 30 September 2018 £	4 month period ended 30 September 2017 £
Remuneration for qualifying services	133,833	-
Company pension contributions to defined contribution schemes	6,754	-
	<u>140,587</u>	<u>-</u>

9. Interest Receivable

	Year ended 30 September 2018 £	4 month period ended 30 September 2017 £
Other interest receivable	<u>3,724</u>	<u>9,331</u>

10. Interest Payable

	Year ended 30 September 2018 £	4 month period ended 30 September 2017 £
Loans from group undertakings	1,034,017	79,625
Bank Interest	90,671	-
Other interest payable	<u>23,212</u>	<u>-</u>
	<u>1,147,900</u>	<u>79,625</u>

Notes to the Financial Statements

For the Year Ended 30 September 2018

11. Taxation

	Year ended 30 September 2018 £	4 month period ended 30 September 2017 £
Corporation tax		
Current tax on profits for the year	686,673	-
Adjustments in respect of prior periods	73,458	-
Total current tax	<u>760,131</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(129,318)	-
Change in tax rate	(58,189)	-
Total deferred tax	<u>(187,507)</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>572,624</u>	<u>-</u>
Factors affecting tax charge		
Profit / (Loss) on ordinary activities before tax	<u>1,368,776</u>	<u>(454,433)</u>
Profit / (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19%)	260,067	(86,342)
Effects of:		
Non-tax deductible expenses	171,243	95,086
Non-taxable income	120,956	(8,744)
Effect of change in corporation tax rate	2,908	-
Under/(over) provided in prior years	15,269	-
Difference on profits	<u>2,181</u>	<u>-</u>
Total tax charge for the year / 4 months	<u>572,624</u>	<u>-</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

Notes to the Financial Statements

For the Year Ended 30 September 2018

12. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The loss after tax of the parent Company for the year was £1,518,681 (2017: 4 months was £123,669).

13. Intangible assets

Group

	Designs £	Brands £	Customer relationship £	Non- complete agreements £	Goodwill £	Total £
Cost						
At 01 October 2017	178,892	2,911,167	-	-	2,615,095	5,705,154
On acquisition of subsidiaries	-	19,000,000	6,600,000	40,000	10,391,591	36,031,591
At 30 September 2018	178,892	21,911,167	6,600,000	40,000	13,006,686	41,736,745
Amortisation						
At 01 September 2017	2,982	48,519	-	-	43,585	95,086
Charge for the year	17,889	291,117	267,436	7,778	882,398	1,466,618
At 30 September 2018	20,871	339,636	267,436	7,778	925,983	1,561,704
Net book value						
At 30 September 2018	<u>158,021</u>	<u>21,571,531</u>	<u>6,332,564</u>	<u>32,222</u>	<u>12,080,703</u>	<u>40,175,041</u>
At 30 September 2017	<u>175,910</u>	<u>2,862,648</u>	-	-	<u>2,571,510</u>	<u>5,610,068</u>

For business combinations entered into in the year see note 26.

In addition, the Group purchased the business assets of Anchorfast Limited on 27th July 2018. The Group acquired net assets of £291,891 for total consideration of £1,057,330 resulting in the recognition of goodwill amounting to £765,439.

Notes to the Financial Statements

For the Year Ended 30 September 2018

14. Tangible fixed assets

	Freehold Land and Buildings £	Plant and machinery £	Motor vehicles £	Office equipment £	Computer equipment £	Total £
Cost or valuation						
At 01 October 2017	-	62,364	440	11,916	7,374	82,094
Acquisitions through business combinations	5,958,158	1,559,688	126,692	135,652	27,246	7,807,436
Other Additions	539,451	147,519	101,785	15,705	26,752	831,212
Disposals	-	(29,619)	(28,380)	-	(18,325)	(76,324)
At 30 September 2018	6,497,609	1,739,952	200,537	163,273	43,047	8,644,418
Depreciation						
At 01 October 2017	-	3,225	23	611	760	4,619
Charge for the year	36,441	237,893	43,447	35,800	17,864	371,445
Disposals	-	(29,252)	(28,379)	-	(18,325)	(75,956)
At 30 September 2018	36,441	211,866	15,091	36,411	299	300,108
Net book value						
At 30 September 2018	<u>6,461,168</u>	<u>1,528,086</u>	<u>185,446</u>	<u>126,862</u>	<u>42,748</u>	<u>8,344,310</u>
At 30 September 2017	<u>-</u>	<u>59,139</u>	<u>417</u>	<u>11,305</u>	<u>6,614</u>	<u>77,475</u>

Notes to the Financial Statements

For the Year Ended 30 September 2018

Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity	Registered address
La Hacienda Limited	Ordinary	100%	Wholesale of outdoor heating and decor	Hangar 27 Site C, Aston Down Airfield, Stroud, Gloucester, GL6 8HR
Altia Holdings	Ordinary	100%	Holding company	The Old Airfield Heck Lane, Pollington, Goole, North Humberside, DN14 0BA
Kelkay Limited*	Ordinary	100%	Supply of decorative aggregates, paving and associated garden products	The Old Airfield Heck Lane, Pollington, Goole, North Humberside, DN14 0BA

*Indirectly held via Altia Holdings Limited

Company Trade Investments

At 01 October 2017	9,175,000
Additions	46,052,341
At 30 September 2018	<u>55,227,341</u>

16. Stocks

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Finished goods and goods for resale	<u>7,123,602</u>	<u>1,992,036</u>	-	-

17. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade debtors	6,917,170	1,093,800	-	-
Amounts owed by group undertakings	-	-	-	480,956
Other debtors	195,310	92,939	74,009	-
Prepayments and accrued income	285,517	114,014	-	-
	<u>7,397,997</u>	<u>1,300,753</u>	<u>74,009</u>	<u>480,956</u>

Notes to the Financial Statements

For the Year Ended 30 September 2018

18. Cash and cash equivalents

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cash at bank and in hand	<u>5,421,739</u>	<u>2,222,244</u>	<u>974,453</u>	<u>-</u>

19. Creditors: Amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank loan	1,735,000	-	1,735,000	-
Trade creditors	2,429,600	380,948	-	-
Amounts owed to group undertakings	-	9,179,624	-	9,179,624
Corporation tax	336,488	391,160	(216,801)	-
Other taxation and social security	118,882	35,212	-	-
Other creditors	54,611	3,111	-	-
Accruals and deferred income	2,026,405	460,156	176,732	-
Deferred consideration	1,333,333	-	1,333,333	-
Obligation under finance lease	38,625	-	-	-
Financial instruments	-	6,086	-	-
	<u>8,072,944</u>	<u>10,456,297</u>	<u>3,028,264</u>	<u>9,179,624</u>

Notes to the Financial Statements

For the Year Ended 30 September 2018

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

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank Loan	16,265,000	-	16,265,000	-
Deferred consideration	3,012,424	600,000	3,012,424	600,000
Amount owed to parent company	13,512,464	-	13,512,464	-
Obligation under finance lease	6,192	-	-	-
Other creditors	283,000	-	-	-
	<u>33,079,080</u>	<u>600,000</u>	<u>32,789,888</u>	<u>600,000</u>

21. Financial instruments

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	12,534,219	3,408,983	1,048,462	480,956
	<u>12,534,219</u>	<u>3,408,983</u>	<u>1,048,462</u>	<u>480,956</u>

Financial liabilities

Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio

-	(6,086)	-	-
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Financial liabilities measured at amortised cost	(40,696,654)	(10,623,839)	(36,317,953)	(9,779,624)
	<u>(40,696,654)</u>	<u>(10,629,925)</u>	<u>(33,390,792)</u>	<u>(9,779,624)</u>

Financial assets measured at amortised cost comprise of trade debtors, intercompany debtors, other debtors and cash at hand.

Financial liabilities measured at fair value through profit and loss comprise derivative instruments.

Financial liabilities measured at amortised cost comprise of bank loans, trade creditors, intercompany creditors, other creditors and accruals.

Notes to the Financial Statements

For the Year Ended 30 September 2018

22. Deferred taxation

	Group 2018 £	Group 2017 £
Opening balance	(600,711)	-
Arising on business combinations	(4,455,741)	(600,711)
Charged to profit / loss in the year	187,507	-
At end of year	<u>(4,868,945)</u>	<u>(600,711)</u>

The deferred taxation balance is made up as follows:

	Group 2018 £	Group 2017 £
Accelerated capital allowances	(126,712)	(600,711)
Intangibles	(4,751,583)	-
Other short term timing differences	9,350	-
	<u>(4,868,945)</u>	<u>(600,711)</u>

23. Share capital

Shares classified as equity	2018 £	2017 £
Allotted, called up and fully paid		
1- Ordinary share of £1	<u>1</u>	<u>1</u>

The company was incorporated on 9 June 2017. 1 Ordinary Share was allotted on this date at par value of £1. The Ordinary Shares entitle the shareholders to vote at a general meeting, to receive dividends and to participate in a distribution.

24. Reserves

Other Equity

The increase in the other equity reserve in the year relates to capital contributions from the parent company of £22,100,000 (2017: nil).

Profit and loss account

Includes all recognised and residual profits and losses less any dividends paid or declared before the year end.

Notes to the Financial Statements

For the Year Ended 30 September 2018

25. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £26,698. Contributions totalling £4,748 were payable to the fund at the reporting date.

26. Business combinations

The Ames Companies UK Limited acquired 100% of the share capital of Altia Holdings Limited (including its trading subsidiary Kelkay Limited) on 13 February 2018. The acquisition has been accounted for using the acquisition method.

The Group agreed to pay contingent consideration of £4,000,000 cash and £2,731,613 shares dependent on achievement of annual EBITDA targets over the next 3 years. Management have included the full amount of this consideration in the acquisition accounting discounted for the time value of money.

	Book Value £	Adjustment £	Fair Value £
Fixed Assets			
Tangible	7,740,870		7,740,870
Intangible	-	25,640,000	25,640,000
	7,740,870	25,640,000	33,380,870
Current Assets			
Stocks	3,835,278	(88,566)	3,746,712
Debtors	5,120,868	(89,566)	5,031,302
Cash at bank and in hand	1,730,390		1,730,390
Total Assets	18,427,406	25,461,868	43,889,274
Creditors			
Due within one year	(1,957,839)	(231,902)	(2,189,741)
Deferred Tax	(1,018,505)	(4,358,800)	(5,377,305)
Net Assets	15,451,062		36,322,228
Goodwill	31,232,891	20,871,166	10,361,725
Total purchase consideration	46,683,953		46,683,953
Purchase consideration settled in cash, as above	41,122,574		41,122,574
Cash and cash equivalents in subsidiaries acquired	(1,730,390)		(1,730,390)
Cash outflow on acquisition	39,392,184	-	39,392,184
Deferred consideration at fair value	6,731,613	(631,613)	6,100,000
Less: Costs directly attributable to the business combination	(1,170,234)	-	(1,170,234)

Notes to the Financial Statements

For the Year Ended 30 September 2018

Business combinations (continued)

The Ames Companies UK Limited acquired 100% of the share capital of La Hacienda Limited on 31 July 2017. The acquisition has been accounted for using the acquisition method.

	Book Value £	Adjustment £	Fair Value £
Fixed Assets			
Tangible	74,549		74,549
Intangible		3,090,059	3,090,059
	74,549	3,090,059	3,164,608
Current Assets			
Stocks	2,053,862	(50,000)	2,003,862
Debtors	2,572,334	7,319	2,579,653
Cash at bank and in hand	653,852		653,852
Total Assets	5,354,597	3,047,378	8,401,975
Creditors			
Due within one year	(762,021)	(1,079,338)	(1,841,359)
Deferred Tax	(13,600)	(587,111)	(600,711)
Net Assets	4,578,976		5,959,905
Goodwill	3,996,024	(1,380,929)	2,615,095
Total purchase consideration	8,575,000	-	8,575,000
Purchase consideration settled in cash, as above	8,575,000	-	8,575,000
Cash and cash equivalents in subsidiaries acquired	(653,852)	-	(653,852)
Cash outflow on acquisition	7,921,148	-	7,921,148
Deferred consideration at fair value	600,000		600,000

Notes to the Financial Statements

For the Year Ended 30 September 2018

27. Commitments under operating leases

The Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £	Group 2017 £
Not later than 1 year	222,723	139,995
Later than 1 year and not later than 5 years	799,480	521,900
Later than 5 years	139,583	5,105
	<u>1,161,786</u>	<u>667,000</u>

28. Related party transactions

During the year, La Hacienda Limited, a subsidiary of The Ames Companies UK Limited, purchased goods amounting to £2,930 (2017: £10,703) from Ames Australasia Pty Ltd, a fellow subsidiary of the ultimate controlling party. In addition, La Hacienda, received management charges amounting to £228,952 (2017: £NIL) from its intermediate parent, The Ames Companies Inc.

During the year, Kelkay Limited, a subsidiary of The Ames Companies UK Limited, made sales of £27,115 (2017: nil) to Ames Australasia Pty Ltd.

In the prior year The Ames Companies, Inc. issued an interest-bearing loan of £9,100,000 to The Ames Companies UK Limited. This loan was repaid in the period and interest of £403,433 (2017: £79,625) was charged on this loan. A new loan was issued in the year of £21,122,574. Interest of £630,584 was charged on this loan in the year. At the period end, the total loan balance outstanding is £12,506,570.

29. Controlling party

The controlling party is The Ames Companies, Inc. incorporated in the United States of America. The ultimate controlling party is Griffon Corporation, incorporated in the United States of America.