

THE AMES COMPANIES UK LTD
Annual Report and Consolidated Financial Statements
for the Year Ended 30 September 2022

The Ames Companies UK Ltd

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The Ames Companies UK Ltd

Company Information

Directors	R F Mehmel J I Thompson B G Harris W C Durborow P North M F Wilson (resigned 3 March 2023)
Company secretary	J I Thompson M F Wilson (resigned 3 March 2023)
Company registration number	10811776
Registered office	The Old Airfield Heck And Pollington Lane Pollington East Yorkshire DN14 0BA
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 2 Glass Wharf Bristol BS2 0EL

The Ames Companies UK Ltd

Strategic Report for the Year Ended 30 September 2022

Introduction

The directors present their strategic report for the year ended 30 September 2022.

Principal activity

The principal activity of the group is that of the supply of decorative aggregates, paving, high quality terracotta garden ware, pots and planters, water features, outdoor heating, garden décor and other associated garden products to both the Garden Centre Industry via wholesale and retail distribution.

Fair review of the business

The ultimate controlling party is Griffon Corporation, incorporated in the United States of America. The Company did not trade in the years ending 30 September 2021 or 30 September 2022. The only transactions generated by the stand alone Company is derived from intergroup funding and holding the investment in the UK subsidiaries.

Despite the continued macro-economic uncertainties the UK faces, the Directors are satisfied with the Group's performance during the year ending 30 September 2022.

The Group continued to invest in product development and people.

The industry, as a whole, has been hit significantly during the past twelve months, with customers overstocking during the pandemic, resulting in lower sales. It has been a challenging year with global supply and freight shortages, along with inflationary pressures, resulting in increased costs in all areas.

Taking into account the losses within the subsidiary, Kelkay Limited, the directors made the decision undertake an impairment review using the future discounted cashflows of all the subsidiaries and subsequently £37,977,674 was written off from the investment in Altia Holdings Limited, the immediate parent of Kelkay Limited.

With this in mind, the company has produced a clear commercial strategy to build revenues with ongoing support and investment from the ultimate parent company, in order to increase the customer base, introduce new products and expand on current product lines.

The group's key financial and other performance indicators during the year were as follows:

	Unit	2022	2021
Gross margin	%	14.6	16.9
Operating profit	%	(42.5)	.0

There are no further key performance indicators the directors wish to disclose.

The Ames Companies UK Ltd

Strategic Report for the Year Ended 30 September 2022 (continued)

Principal risks and uncertainties

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 Company's strong relationship with customers and innovative product minimises this risk.

Interest rate risk

The loans within the company are those held with the parent company and as such interest risk exposure is determined to be extremely low.

Price risk

Price risk is the risk that changes in raw material prices have the potential to impact on the profitability of the company. The pricing and supply of materials have been subject to high inflation over the past twelve months, however the company's sales and pricing policies seek to mitigate such risks where possible

Credit risk

Credit risk is the risk that one party of a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. Company policies are aimed at minimising such losses and require customers to satisfy credit worthiness procedures prior to acceptance of contracts. The company also utilises insurance policies to protect against non-payment of debt. The company does not consider that it is materially exposed to credit risk.

Cash flow and liquidity risk

Cash flow and liquidity risk is the risk that a company's available cash will not be sufficient to meet its financial obligations. The company actively manages its cash flow position including collection of debts and timely payment of creditors. Due to the seasonality of Company's working capital requirements, the company uses a combination of finance leases and hire purchase contracts, cash, intergroup funding and short term deposits to minimise the Company's exposure to cash flow and liquidity risk.

Foreign Exchange risk

Foreign exchange risk refers to the potential for loss from exposure to foreign exchange rate fluctuations. Fluctuations in GBP against the USD can also affect the pricing of materials. Company policies are aimed at minimising this risk. The company does not consider that it is materially exposed to foreign exchange risk.

Section 172(1) statement

This section describes how we have engaged with and had regard to the interests of our key stakeholders when exercising our duty to promote the success of the Company under section 172(1) of the Companies Act 2006. The principles underpinning section 172 are embedded throughout our Company through the "AMES Way" values, being that we:

Aim High

Make it Happen

Lead with Expertise

Keep it Simple

Each of our values above can be linked to how we operate and work with our key stake holders.

We engage with our stakeholders in a variety of ways. We remain thoughtful and eager to learn as we grow so we can understand better what matters to our key stakeholders. Through this understanding, as a Board, and at all levels of the business, we are then able to make more considered short-term and long-term decisions. These decisions are made through direct engagement by Board members and receiving reports and updates from members of management.

The Ames Companies UK Ltd

Strategic Report for the Year Ended 30 September 2022 (continued)

Employees

Our colleagues rely on us to provide stable employment with a potential to progress within the team. We provide opportunities for internal and external training. At Ames we strive to be an “Employer of Choice” - our employees are our greatest asset and empowered to make a difference. We aim to be a responsible employer in our approach to pay and benefits, and the health and safety and well-being of our employees is always paramount. We have aligned all employment terms and conditions across our separate entities into one single Ames Contract and ensured that each colleague would remain on the same, or enhanced terms. This project was completed in December 2021.

Engagement with employees

We have regular communication through multiple channels including management site visits, departmental meetings, our internal Intranet “The Fountain”, our monthly “AMES Talk” and we undertake regular employee surveys and agree follow up actions. The expertise of our passionate people is what drives us forward every step of the way.

Customers and Suppliers

For our Customers we strive to be a “Supplier of choice” and with our Suppliers, we aim to be a “Customer of choice”. We educate, collaborate and innovate to make the most ambitious of dreams a reality. Through the hard work of our motivated colleagues, we aim to be easy to deal with, so we can delight and keep our customers and suppliers happy.

Engagement with suppliers, customers and other relationships

Meeting the needs of customers now and developing our offering so that we can continue to meet and exceed their needs into the future, requires regular engagement. Customer requirements are always taken into consideration during new product development along with assessment of the demand curve over the coming months. Our aim is to be a supplier and customer of choice. We expect our suppliers to operate ethically, taking due consideration for the safety and well-being of their workers while minimising their environmental impacts. By working closely with, and setting high standards for our suppliers, we reduce operating and reputational risk and promote the long term success of the Company. This is achieved through regular meetings, both virtually and physically.

Regulators

We work in a collaborative, transparent and proactive manner with revenue authorities and policymakers. We strive to inform HMRC of significant UK transactions and changes to the business at the earliest appropriate stage and are open about our decision-making, governance processes and tax planning policy. We interact with these bodies in a professional, courteous and timely manner, and seek to maintain a collaborative relationship through regular meetings, discussions and written communications.

Debt capital/credit facility providers and credit reference agencies

The Group Finance Director is responsible for managing the relationships with our banks, and the management of the Group's cash/debt and financing activities. The Group Finance Director provides regular reports to the Board on these activities, including the Company's access to liquidity, monitoring the headroom and treasury management.

Our impact on the community and the environment

Communities and the wider public expect us to act as a responsible company and neighbour and to minimise any adverse impact we might have on local communities and the environment. We do this through regular meetings with our neighbours and support local charities. We take our responsibility to care for the environment very seriously and prioritise this into our decision making for future investments.

The Ames Companies UK Ltd

Strategic Report for the Year Ended 30 September 2022 (continued)

Maintaining high standards of business conduct

The Ames Companies UK Limited is a subsidiary of Griffon Corporation and as such governed by the Griffon Corporate Governance Guidelines and Ethical trading and responsible sourcing guidelines.

Long term decisions

The trading companies within The Ames Companies UK Limited structure operate within a seasonal industry. As a result, our strategic decisions can have long term implications for the business and its stakeholders. The implications are carefully assessed before being put into place.

Non-financial and sustainability information

Energy and carbon report

As a large group, we are required to report under the Streamlined Energy and Carbon Reporting (SECR) regulations. Neither the Company or any of the Group's UK subsidiary undertakings individually meet the definition of a large company and therefore none of the Group's entities are obliged to report under the SECR regulations of their own account. We have elected not to include the energy and carbon performance of companies within the Group which do not themselves meet the threshold and as such we have nothing to report at a consolidated level.

Approved by the Board on 27 October 2023 and signed on its behalf by:

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J I Thompson

Company secretary and director

The Ames Companies UK Ltd

Directors' Report for the Year Ended 30 September 2022

The directors present their report and the for the year ended 30 September 2022.

Directors of the group

The directors who held office during the year were as follows:

R F Mehmel

B G Harris

M F Wilson (resigned 3 March 2023)

W C Durborow

P North

The following director was appointed after the year end:

J I Thompson - Company secretary and director (appointed 9 May 2023)

Results for the year

The results for the year are set out on page 14.

The directors do not recommend the payment of a dividend.

Financial instruments

Objectives and policies

The company finances its activities with a combination of finance leases and hire purchase contracts, cash, intergroup funding and short term deposits. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities.

Price risk, credit risk, liquidity risk and cash flow risk

See disclosures in the Strategic Report.

Engagement with employees

Our employees are our greatest asset and our success relies on the application of their knowledge and skills. We aim to be an employer of choice and a responsible employer in our approach to pay and benefits, and the health, safety and well-being of our employees is always a primary consideration. We communicate with employees through a variety of channels including management site visits, departmental meetings, AMES Talk, whole company presentations and the Company Intranet.

The company is committed to the development of employee consultation and thereby to the greater involvement of employees in the company's operations and future strategy. Consultation is achieved on both a formal and informal basis through work committees, briefing sessions and discussions with groups of employees.

Engagement with suppliers, customers and other relationships

Meeting the needs of customers now and developing our offering so that we can continue to meet and exceed their needs into the future, requires regular engagement. Customer requirements are always taken into consideration during new product development along with assessment of the demand curve over the coming months. Our aim is to be a supplier and customer of choice to our customers and suppliers. We expect our suppliers to operate ethically, taking due consideration for the safety and well-being of their workers while minimising their environmental impacts. By working closely with and setting high standards for our suppliers, we reduce operating and reputational risk and promote the long term success of the company. This is achieved through regular meetings, both virtually and physically.

The Ames Companies UK Ltd

Directors' Report for the Year Ended 30 September 2022 (continued)

Future developments

The Company continues to invest in its infrastructure and people.

Going concern

The directors have reviewed the profit and loss and cashflow forecast of the group. Despite the macro-economic uncertainties the UK faces, post year end cash shortfalls have been addressed by obtaining funding and letters of support from the ultimate parent group, confirming they will continue to support The Ames Companies UK Limited and its subsidiaries for at least twelve months from the date of approval of these financial statements. Furthermore, Griffon Corporation confirms that they will not recall the intercompany loan for at least twelve months from the date of approval of these financial statements. In addition to this, Griffon Corporation has also confirmed that its Board has considered that they have resources to honour such financial support.

Based on the forecast trading, profitability and liquidity for 2023 and 2024 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.

Important adjusting events after the financial period

Following the commercial challenges encountered in FY22, detailed in the Fair review of the business within the Strategic report, and taking into account the losses incurred within its subsidiary, Kelkay Limited, the directors made the decision to impair the carrying value of the investment following a review of future discounted cash flows. The charge to the profit and loss was £37,977,674 (2021 £nil).

In March 2023 Kelkay Limited received a fine from the Health and Safety Executive (HSE) relating to an incident which occurred in June 2018. The FY22 statutory accounts reflect the full liability to the HSE of £621,019 and a corresponding amount as an inter-company receivable reflecting the in-house cover provided by Ames US via The Ames Companies UK Limited.

Important non adjusting events after the financial period

In June 2023, following a consultation period, it was announced that the warehousing and distribution of pots from Vatre Terracotta Limited would be relocated to the Kelkay Limited site.

In June 2023, external debt with HSBC totalling £10.1m was repaid and overdrafts of £4m were cleared, funded by additional intercompany debt with Griffon (the ultimate controlling party).

Directors' liabilities

During the financial year, qualifying third party indemnity provisions for the benefit of directors were in force.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Grant Thornton UK LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

The Ames Companies UK Ltd

Directors' Report for the Year Ended 30 September 2022 (continued)

Approved and authorised for issue by the Board on 27 October 2023 and signed on its behalf by:

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J I Thompson

Company secretary and director

The Ames Companies UK Ltd

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and parent company 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 and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 group 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 corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board on 27 October 2023 and signed on its behalf by:

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J I Thompson

Company secretary and director

The Ames Companies UK Ltd

Independent Auditor's Report to the Members of The Ames Companies UK Ltd

Opinion

We have audited the financial statements of The Ames Companies UK Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2022, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated 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 the parent Company's affairs as at 30 September 2022 and of the group's loss 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 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 are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

The Ames Companies UK Ltd

Independent Auditor's Report to the Members of The Ames Companies UK Ltd (continued)

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.

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

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

In the light of our 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 and the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

As explained more fully in the Statement of Directors' Responsibilities [set out on page 9], 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.

The Ames Companies UK Ltd

Independent Auditor's Report to the Members of The Ames Companies UK Ltd (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the financial reporting framework (Financial Reporting Standard 102, Companies Act 2006 and the tax legislation relevant to the jurisdiction in which the company operates); health and safety, employee matters, environmental and bribery and corruption procedures;
- We enquired of management and those charged with governance as to whether they are aware of any non-compliance with laws and regulations and whether they had knowledge of actual, suspected or alleged fraud. We corroborated the results of our enquiries to board minutes and other supporting documentation;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with different parts of the business, including the finance team and the IT department, to understand where it is considered there was a susceptibility of fraud;
- In assessing the potential risk of material misstatement, we obtained an understanding of:
 - o The company's operations, including the nature of its revenue sources and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risk of material misstatement;
 - o the company's control environment including:
 - o the finance system and controls, including the controls over journal postings that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud, and how senior management monitor the finance system and the controls;
 - o Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. Our audit procedures involved: journal entry testing, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and

The Ames Companies UK Ltd

Independent Auditor's Report to the Members of The Ames Companies UK Ltd (continued)

- o In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- We also considered the key performance indicators and their propensity to influence efforts made by management to manage earnings;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - o Understanding of, and practical experience with, the audit engagements of similar nature and complexity through appropriate training and participation;
 - o Knowledge of the industry in which the company operates; and
 - o Understanding of the legal and regulatory requirements specific to the company.
- We did not identify any matters relating to non-compliance with laws and regulations or relating to fraud.

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.

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.

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Timothy Lincoln BA ACA
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
2 Glass Wharf
Bristol
BS2 0EL

27 October 2023

The Ames Companies UK Ltd

Consolidated Statement of Comprehensive Income for the Year Ended 30 September 2022

	Note	2022 £	2021 £
Turnover	<u>3</u>	66,978,702	82,021,467
Cost of sales		<u>(57,217,525)</u>	<u>(68,145,597)</u>
Gross profit		9,761,177	13,875,870
Administrative expenses		(38,205,584)	(14,450,481)
Other operating income	<u>4</u>	<u>-</u>	<u>589,501</u>
Operating (loss)/profit	<u>5</u>	(28,444,407)	14,890
Other interest receivable and similar income	<u>6</u>	3,689	1,126
Interest payable and similar expenses	<u>7</u>	<u>(1,377,071)</u>	<u>(1,203,894)</u>
Loss before tax		(29,817,789)	(1,187,878)
Taxation	<u>11</u>	<u>4,592,759</u>	<u>(238,284)</u>
Loss for the financial year		<u>(25,225,030)</u>	<u>(1,426,162)</u>
Profit/(loss) attributable to:			
Owners of the company		<u>(25,225,030)</u>	<u>(1,426,162)</u>

The above results were derived from continuing operations.

The notes on pages 18 to 42 form an integral part of these financial statements.

The Ames Companies UK Ltd

(Registration number: 10811776)

Consolidated and Company Statement of Financial Position as at 30 September 2022

	Note	2022 £	Group 2021 £	2022 £	Company 2021 £
Fixed assets					
Intangible assets	<u>12</u>	6,675,715	31,909,048	-	-
Tangible assets	<u>13</u>	14,361,259	12,247,818	-	-
Investments	<u>14</u>	-	-	26,058,982	64,036,656
		<u>21,036,974</u>	<u>44,156,866</u>	<u>26,058,982</u>	<u>64,036,656</u>
Current assets					
Stocks	<u>15</u>	22,119,713	14,582,461	-	-
Debtors	<u>16</u>	8,700,021	13,896,377	11,037,801	582,176
Cash at bank and in hand	<u>17</u>	10,139,185	4,338,910	2,132,841	(2,234,433)
		<u>40,958,919</u>	<u>32,817,748</u>	<u>13,170,642</u>	<u>(1,652,257)</u>
Creditors: Amounts falling due within one year	<u>18</u>	<u>(10,495,210)</u>	<u>(15,944,862)</u>	<u>(5,528,330)</u>	<u>(9,387,389)</u>
Net current assets/(liabilities)		<u>30,463,709</u>	<u>16,872,886</u>	<u>7,642,312</u>	<u>(11,039,646)</u>
Total assets less current liabilities		<u>51,500,683</u>	<u>61,029,752</u>	<u>33,701,294</u>	<u>52,997,010</u>
Creditors: Amounts falling due after more than one year	<u>18</u>	<u>(56,999,236)</u>	<u>(37,225,830)</u>	<u>(56,847,504)</u>	<u>(36,860,663)</u>
Provisions for liabilities	<u>20</u>	<u>(1,073,026)</u>	<u>(5,150,471)</u>	<u>-</u>	<u>-</u>
Net (liabilities)/assets		<u>(6,571,579)</u>	<u>18,653,451</u>	<u>(23,146,210)</u>	<u>16,136,347</u>
Capital and reserves					
Called up share capital	<u>22</u>	1	1	1	1
Other reserves	<u>23</u>	22,100,000	22,100,000	22,100,000	22,100,000
Profit and loss account	<u>23</u>	<u>(28,671,580)</u>	<u>(3,446,550)</u>	<u>(45,246,211)</u>	<u>(5,963,654)</u>
Equity attributable to owners of the company		<u>(6,571,579)</u>	<u>18,653,451</u>	<u>(23,146,210)</u>	<u>16,136,347</u>
Total equity		<u>(6,571,579)</u>	<u>18,653,451</u>	<u>(23,146,210)</u>	<u>16,136,347</u>

Approved and authorised for issue by the Board on 27 October 2023 and signed on its behalf by:

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J I Thompson

Company secretary and director

The notes on pages 18 to 42 form an integral part of these financial statements.

The Ames Companies UK Ltd

Consolidated and Company Statement of Changes in Equity for the Year Ended 30 September 2022

	Share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
At 1 October 2020	1	22,100,000	(2,020,388)	20,079,613
Loss for the year	-	-	(1,426,162)	(1,426,162)
Total comprehensive income	-	-	(1,426,162)	(1,426,162)
At 30 September 2021	1	22,100,000	(3,446,550)	18,653,451

	Share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
At 1 October 2021	1	22,100,000	(3,446,550)	18,653,451
Loss for the year	-	-	(25,225,030)	(25,225,030)
Total comprehensive income	-	-	(25,225,030)	(25,225,030)
At 30 September 2022	1	22,100,000	(28,671,580)	(6,571,579)

Company Statement of Changes in Equity for the Year Ended 30 September 2022

	Share capital	Other reserves	Profit and loss account	Total
	£	£	£	£
At 1 October 2020	1	22,100,000	(4,689,250)	17,410,751
Loss for the year	-	-	(1,274,404)	(1,274,404)
Total comprehensive income	-	-	(1,274,404)	(1,274,404)
At 30 September 2021	1	22,100,000	(5,963,654)	16,136,347

	Share capital	Other reserves	Profit and loss account	Total
	£	£	£	£
At 1 October 2021	1	22,100,000	(5,963,654)	16,136,347
Loss for the year	-	-	(39,282,557)	(39,282,557)
Total comprehensive income	-	-	(39,282,557)	(39,282,557)
At 30 September 2022	1	22,100,000	(45,246,211)	(23,146,210)

The notes on pages 18 to 42 form an integral part of these financial statements.

The Ames Companies UK Ltd

Consolidated Statement of Cash Flows for the Year Ended 30 September 2022

	Note	2022 £	2021 £
Cash flows from operating activities			
Loss for the year		(25,225,030)	(1,426,162)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	4,763,783	4,781,081
Impairment loss		21,561,458	-
(Profit)/loss on disposal of tangible assets		(42,626)	95,875
Finance income	6	(3,689)	(1,126)
Finance costs	7	1,377,071	1,203,894
Income tax expense	11	(4,592,759)	238,284
		(2,161,792)	4,891,846
Working capital adjustments			
Increase in stocks	15	(7,537,252)	(8,438,390)
Decrease/(increase) in debtors	16	5,656,373	(594,151)
(Decrease)/increase in creditors	18	(5,495,078)	852,968
Increase in provisions	20	470,856	61,163
Cash outgoing from operations		(9,066,893)	(3,226,564)
Income taxes paid	11	(415,558)	(912,544)
Net cash flow from operating activities		(9,482,451)	(4,139,108)
Cash flows from investing activities			
Interest received		3,689	1,126
Acquisitions of tangible assets		(3,258,920)	(2,363,018)
Proceeds from sale of tangible assets		96,197	185,175
Net cash flows from investing activities		(3,159,034)	(2,176,717)
Cash flows from financing activities			
Interest paid	7	(415,301)	(316,323)
Proceeds from bank borrowing draw downs		(2,168,750)	(2,168,750)
Proceeds from other borrowing draw downs		21,193,821	10,000,000
Repayment of other borrowing		-	(10,000,000)
Payments to finance lease creditors		(168,010)	(219,317)
Net cash flows from financing activities		18,441,760	(2,704,390)
Net increase/(decrease) in cash and cash equivalents		5,800,275	(9,020,215)
Cash and cash equivalents at 1 October		4,338,910	13,359,125
Cash and cash equivalents at 30 September		10,139,185	4,338,910

The notes on pages 18 to 42 form an integral part of these financial statements.

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is The Old Airfield, Heck And Pollington Lane, Pollington, East Yorkshire, DN14 0BA.

Principal activity

The principal activity of the group is that of the supply of decorative aggregates, paving, high quality terracotta garden ware, pots and planters, water features, outdoor heating, garden décor and other associated garden products to both the Garden Centre Industry via wholesale and retail distribution.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Companies Act 2006'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

These financial statements are prepared in sterling which is the functional currency of the entity.

Summary of disclosure exemptions

The parent entity satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) Disclosures in respect of share-based payments have not been presented.
- (e) No disclosure has been given for the aggregate remuneration of key management personnel.

The company has taken advantage of the exemption available under paragraph 33.1A of FRS 102 and does not disclose related party transactions with members of the same group that are wholly owned.

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 Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

2 Accounting policies (continued)

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.

Going concern

The directors have reviewed the profit and loss and cashflow forecast of the group. Despite the macro-economic uncertainties the UK faces, post year end cash shortfalls have been addressed by obtaining funding and letters of support from the ultimate parent group, confirming they will continue to support The Ames Companies UK Limited and its subsidiaries for at least twelve months from the date of approval of these financial statements. Furthermore, Griffon Corporation confirms that they will not recall the intercompany loan for at least twelve months from the date of approval of these financial statements. In addition to this, Griffon Corporation has also confirmed that its Board has considered that they have resources to honour such financial support.

Based on the forecast trading, profitability and liquidity for 2023 and 2024 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.

Adjusting events after the financial period

Following the commercial challenges encountered in FY22, detailed in the Fair review of the business within the Strategic report, and taking into account the losses incurred within its subsidiary, Kelkay Limited, the directors made the decision to impair the carrying value of the investment following a review of future discounted cash flows. The charge to the profit and loss was £37,977,674 (2021 £nil).

In March 2023 Kelkay Limited received a fine from the Health and Safety Executive (HSE) relating to an incident which occurred in June 2018. The FY22 statutory accounts reflect the full liability to the HSE of £621,019 and a corresponding amount as an inter-company receivable reflecting the in-house cover provided by Ames US via The Ames Companies UK Limited.

Judgements

There are considered to be no significant judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies which affect the amounts recognised in the financial statements.

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

2 Accounting policies (continued)

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

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.

Revenue recognition

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:

- 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.

Finance income and costs policy

Finance costs are charged to the Consolidated Income Statement 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.

Interest income is recognised in the Consolidated Income Statement using the effective interest method.

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

2 Accounting policies (continued)

Foreign currency 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 Consolidated Income Statement within 'other operating income'.

Tax

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.

Tangible 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.

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

2 Accounting policies (continued)

Depreciation

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.

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 Income Statement.

Depreciation is provided on the following basis:

Asset class	Depreciation method and rate
Long leasehold property	10 years straight line
Freehold land and buildings	50 years straight line
Plant and machinery	3 to 10 years straight line
Motor vehicles	3 to 5 years straight line
Office equipment	3 to 5 years straight line
Computer equipment	3 to 5 years straight line
Assets under construction	No depreciation is provided until asset is in use

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

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.

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.

Amortisation

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 Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

2 Accounting policies (continued)

Asset class	Amortisation method and rate
Goodwill	10 years
Trade names, Designs and Customer Relationships	10 - 15 years

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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.

Trade 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.

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 based on a weighted average or FIFO 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.

Trade 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.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

2 Accounting policies (continued)

Provisions

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.

Leases

Rentals paid under operating leases are charged to the Consolidated Income Statement on a straight line basis over the lease term.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the group's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

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 Income Statement 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.

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

2 Accounting policies (continued)

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

2 Accounting policies (continued)

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

3 Turnover

The analysis of the group's Turnover for the year from continuing operations is as follows:

	2022	2021
	£	£
Sale of goods	66,978,702	82,021,467

The analysis of the group's Turnover for the year by market is as follows:

	2022	2021
	£	£
UK	64,631,637	79,131,399
Europe	1,984,866	2,292,212
Rest of world	362,199	597,856
	66,978,702	82,021,467

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

4 Other operating income

The analysis of the group's other operating income for the year is as follows:

	2022 £	2021 £
Government grants	-	1,297
Insurance proceeds	-	588,204
	-	589,501

The group has received government assistance via the Coronavirus Job Retention Scheme of £nil (2021 - £1,297). This was claimed against the staff costs of the group.

5 Operating (loss)/profit

Arrived at after charging/(crediting)

	Note	2022 £	2021 £
Depreciation expense	13	1,091,908	1,030,296
Amortisation expense	12	3,671,875	3,750,785
Impairment loss		21,561,458	-
Foreign exchange gains		(1,536,192)	(1,121,452)
(Profit)/loss on disposal of property, plant and equipment		(42,626)	95,875
Amounts charged in respect of operating lease rentals		817,009	837,469

6 Other interest receivable and similar income

	2022 £	2021 £
Interest income on bank deposits	-	1,126
Other finance income	3,689	-
	3,689	1,126

7 Interest payable and similar expenses

	2022 £	2021 £
Interest on bank overdrafts and borrowings	394,043	294,125
Interest on obligations under finance leases and hire purchase contracts	21,258	14,438
Interest on intercompany loans	961,770	895,331
	1,377,071	1,203,894

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2022	2021
	£	£
Wages and salaries	13,296,144	10,370,383
Social security costs	1,331,043	1,086,325
Pension costs, defined contribution scheme	349,567	255,303
	<u>14,976,754</u>	<u>11,712,011</u>

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

	2022	2021
	No.	No.
Production	201	210
Administration and support	124	98
Management	7	5
	<u>332</u>	<u>313</u>

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022	2021
	£	£
Remuneration	521,911	527,295
Contributions paid to money purchase schemes	56,302	23,503
	<u>578,213</u>	<u>550,798</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2022	2021
	No.	No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

In respect of the highest paid director:

	2022	2021
	£	£
Remuneration	362,973	358,506
Company contributions to money purchase pension schemes	<u>4,302</u>	<u>1,317</u>

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

10 Auditors' remuneration

	2022 £	2021 £
Audit of these financial statements	7,040	4,000
Audit of the financial statements of subsidiaries of the company pursuant to legislation	142,830	81,000
	<u>149,870</u>	<u>85,000</u>

The audit fee for the company is borne by one of the subsidiary companies, Kelkay Limited.

11 Taxation

Tax charged/(credited) in the income statement

	2022 £	2021 £
Current taxation		
UK corporation tax	-	299,679
UK corporation tax adjustment to prior periods	(44,459)	10,731
	<u>(44,459)</u>	<u>310,410</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(5,549,583)	(135,578)
Arising from changes in tax rates and laws	966,042	63,452
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	35,241	-
	<u>(4,548,300)</u>	<u>(72,126)</u>
Total deferred taxation		
	<u>(4,592,759)</u>	<u>238,284</u>
Tax (receipt)/expense in the income statement		

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

11 Taxation (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2021 - lower than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £	2021 £
Loss before tax	(29,817,789)	(1,187,878)
Corporation tax at standard rate	(5,665,380)	(225,697)
Effect of revenues exempt from taxation	-	(57,741)
Effect of expense not deductible in determining taxable profit (tax loss)	1,076,047	284,763
Deferred tax (credit)/expense relating to changes in tax rates or laws	(162,223)	123,924
Increase from tax losses for which no deferred tax asset was recognised	124,347	-
Increase in UK and foreign current tax from unrecognised temporary difference from a prior period	-	10,731
Decrease in UK and foreign current tax from adjustment for prior periods	(9,218)	-
Tax increase from effect of capital allowances and depreciation	47,825	102,304
Other tax effects for reconciliation between accounting profit and tax expense (income)	(4,157)	-
Total tax (credit)/charge	(4,592,759)	238,284

Given the loss incurred by the group in the year, management have not recognised a portion of the deferred tax asset relating to losses at year end, which brings the net deferred tax position in the group to nil. The net deferred tax asset not recognised at group level is £536,289 (DTA of £134,072).

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

11 Taxation (continued)

Deferred tax

Group

Deferred tax assets and liabilities

	Asset £	Liability £
2022		
Accelerated capital allowances	-	238,848
Intangibles	-	(177,023)
Other short-term timing differences	-	(61,825)
	-	-
	-	-
2021		
Accelerated capital allowances	-	645,086
Intangibles	-	4,031,957
Other short-term timing differences	-	(128,742)
	-	4,548,301
	-	4,548,301

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). This new law was deemed substantively enacted on 17 March 2020. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase from 19% to 25%. This new law was deemed substantively enacted on 24 May 2021 and the deferred tax balances at the year end have been calculated based on this rate.

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

12 Intangible assets Group

	Goodwill £	Designs £	Contractual customer relationships £	Brands £	Non-complete agreements £	Total £
Cost or valuation						
At 1 October 2021	15,611,960	178,892	6,600,000	21,911,167	40,000	44,342,019
At 30 September 2022	15,611,960	178,892	6,600,000	21,911,167	40,000	44,342,019
Amortisation						
At 1 October 2021	4,923,737	74,538	1,642,821	5,751,875	40,000	12,432,971
Amortisation charge	1,637,741	17,889	458,461	1,557,784	-	3,671,875
Impairment	3,868,296	-	4,498,718	13,194,444	-	21,561,458
At 30 September 2022	10,429,774	92,427	6,600,000	20,504,103	40,000	37,666,304
Carrying amount						
At 30 September 2022	5,182,186	86,465	-	1,407,064	-	6,675,715
At 30 September 2021	10,688,223	104,354	4,957,179	16,159,292	-	31,909,048

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

12 Intangible assets (continued)

Impairment

Goodwill

The directors have reviewed the recoverable amounts relating to the goodwill and associated brand and contractual customer relationships and have recognised an impairment. The recoverable amount has been determined from our value in use calculations relating to the operations of Kelkay Limited. The amount of impairment loss included in profit or loss is £3,868,296 (2021 - £Nil).

Brand names

The directors have reviewed the recoverable amounts relating to the goodwill and associated brand and contractual customer relationships and have recognised an impairment. The recoverable amount has been determined from our value in use calculations relating to the operations of Kelkay Limited. The amount of impairment loss included in profit or loss is £13,194,444 (2021 - £Nil).

Contractual customer relationships

The directors have reviewed the recoverable amounts relating to the goodwill and associated brand and contractual customer relationships and have recognised an impairment. The recoverable amount has been determined from our value in use calculations relating to the operations of Kelkay Limited. The amount of impairment loss included in profit or loss is £4,498,718 (2021 - £Nil).

The Armes Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

13 Tangible assets Group

	Land and buildings £	Assets under construction £	Fixtures and fittings and office equipment £	Plant and machinery £	Motor vehicles £	Computer equipment £	Total £
Cost or valuation							
At 1 October 2021	8,549,413	130,233	676,284	4,319,837	159,643	642,648	14,478,058
Additions	327,375	1,310,205	315,791	1,257,286	-	48,263	3,258,920
Disposals	-	-	-	(39,000)	(159,643)	-	(198,643)
At 30 September 2022	8,876,788	1,440,438	992,075	5,538,123	-	690,911	17,538,335
Depreciation							
At 1 October 2021	314,797	-	254,465	1,292,806	136,609	231,563	2,230,240
Charge for the year	144,641	-	149,500	587,492	8,463	201,812	1,091,908
Eliminated on disposal	-	-	-	-	(145,072)	-	(145,072)
At 30 September 2022	459,438	-	403,965	1,880,298	-	433,375	3,177,076
Carrying amount							
At 30 September 2022	8,417,350	1,440,438	588,110	3,657,825	-	257,536	14,361,259
At 30 September 2021	8,234,616	130,233	421,819	3,027,031	23,034	411,085	12,247,818

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

13 Tangible assets (continued)

Included within the net book value of land and buildings above is £8,341,161 (2021 - £8,205,320) in respect of freehold land and buildings and £76,189 (2021 - £29,296) in respect of long leasehold land and buildings.

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2022 £	2021 £
Plant and machinery	675,624	708,811

14 Investments

Company

	2022 £	2021 £
Investments in subsidiaries	26,058,982	64,036,656

Subsidiaries

£

Cost or valuation

At 1 October 2021 67,303,323

At 30 September 2022 67,303,323

Provision

At 1 October 2021 3,266,667

Impairment 37,977,674

At 30 September 2022 41,244,341

Carrying amount

At 30 September 2022 26,058,982

At 30 September 2021 64,036,656

Impairment

The directors have reviewed the carrying value of the investment in our subsidiary operations and have determined that the values have been impaired. The recoverable amount has been determined from our review of future discounted cash flow models.

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

14 Investments (continued)

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2022	2021
Subsidiary undertakings				
La Hacienda Limited	Hangar 27 Site C, Aston Down, Airfield, Stroud, Gloucester, GL6 8HR	Ordinary	100%	100%
Altia Holdings Limited	The Old Airfield Heck Lane, Pollington, Goole, North Humberside, DN14 0BA	Ordinary	100%	100%
Kelkay Limited	The Old Airfield Heck Lane, Pollington, Goole, North Humberside, DN14 0BA	Ordinary*	100%	100%
Vatre Group Limited	Unit J1 Dencora Way Leacon Road, Fairwood Business Park, Ashford, Kent, TN23 4FH	Ordinary	100%	100%
Vatre Terracotta Limited	Unit J1 Dencora Way Leacon Road, Fairwood Business Park, Ashford, Kent, TN23 4FH	Ordinary**	100%	100%

*Indirectly held via Altia Holdings Limited

**Indirectly held via Vatre Group Limited

Subsidiary undertakings

La Hacienda Limited

The principal activity of La Hacienda Limited is the wholesale of outdoor heating and decor.

Altia Holdings Limited

The principal activity of Altia Holdings Limited is that of a holding company.

Kelkay Limited

The principal activity of Kelkay Limited is the supply of decorative aggregates, paving and associated garden products.

Vatre Group Limited

The principal activity of Vatre Group Limited is that of a holding company.

Vatre Terracotta Limited

The principal activity of Vatre Terracotta Limited is the import and distribution of plant containers.

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

15 Stocks

	2022 £	Group 2021 £	2022 £	Company 2021 £
Finished goods and goods for resale	22,119,713	14,582,461	-	-

16 Debtors

	Note	2022 £	Group 2021 £	2022 £	Company 2021 £
Trade debtors		5,555,358	11,597,849	-	-
Amounts owed by related parties	<u>26</u>	611,895	-	11,012,834	527,860
Other debtors		569,581	1,011,316	24,967	54,316
Prepayments		875,255	659,297	-	-
Corporation tax asset		1,087,932	627,915	-	-
		8,700,021	13,896,377	11,037,801	582,176

17 Cash and cash equivalents

	2022 £	Group 2021 £	2022 £	Company 2021 £
Cash at bank	10,139,185	4,338,910	2,132,841	(2,234,433)

18 Creditors

	Note	2022 £	Group 2021 £	2022 £	Company 2021 £
Due within one year					
Loans and borrowings	<u>19</u>	2,510,922	2,465,497	2,168,750	2,168,750
Trade creditors		2,654,749	7,217,951	-	-
Amounts due to related parties	<u>26</u>	-	3,381	3,294,321	7,153,381
Social security and other taxes		976,978	493,903	-	-
Other creditors		216,748	115,967	-	-
Accruals		4,135,813	5,648,163	65,259	65,258
		10,495,210	15,944,862	5,528,330	9,387,389
Due after one year					
Loans and borrowings	<u>19</u>	9,042,982	11,425,167	8,891,250	11,060,000
Amounts due to group undertakings		47,956,254	25,800,663	47,956,254	25,800,663
		56,999,236	37,225,830	56,847,504	36,860,663

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

19 Loans and borrowings

	2022 £	Group 2021 £	2022 £	Company 2021 £
Current loans and borrowings				
Bank borrowings	2,168,750	2,168,750	2,168,750	2,168,750
Hire purchase and finance lease liabilities	342,172	296,747	-	-
	<u>2,510,922</u>	<u>2,465,497</u>	<u>2,168,750</u>	<u>2,168,750</u>
	2022 £	Group 2021 £	2022 £	Company 2021 £
Non-current loans and borrowings				
Bank borrowings	8,891,250	11,060,000	8,891,250	11,060,000
Hire purchase and finance lease liabilities	151,732	365,167	-	-
Amounts due to group undertakings	47,956,254	25,800,663	47,956,254	25,800,663
	<u>56,999,236</u>	<u>37,225,830</u>	<u>56,847,504</u>	<u>36,860,663</u>

Group

Bank borrowings

Bank loan is denominated in sterling with a nominal interest rate of LIBOR + 2.25% on Facility A and LIBOR + 1.80% on Facility B. The carrying amount at year end is £11,060,000 (2021 - £13,228,750).

Security of the loan is covered by fixed and floating charges over all land and intellectual properties.

The bank loan is repayable in quarterly installments ending July 2023.

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

20 Provisions for liabilities Group

	Legal proceedings £	Onerous contracts £	Deferred tax £	Other provisions £	Total £
At 1 October 2021	-	446,007	4,548,301	156,163	5,150,471
Additional provisions	621,019	-	-	-	621,019
Increase (decrease) in existing provisions	-	6,000	(4,548,301)	(156,163)	(4,698,464)
At 30 September 2022	621,019	452,007	-	-	1,073,026

Onerous contracts relates to make good and other restoration provisions on leased property. Other provisions relates to provisions in respect of potential sales, warranty and commercial claims.

In March 2023 Kelkay Limited received a fine from the Health and Safety Executive (HSE) relating to an incident which occurred in June 2018. The FY22 statutory accounts reflect the full liability to the HSE of £621,019 and a corresponding amount as an inter-company receivable reflecting the in-house cover provided by Ames US via the parent company The Ames Companies UK Limited.

21 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £349,567 (2021 - £255,303).

Contributions totalling £124,817 (2021 - £25,248) were payable to the scheme at the end of the year and are included in creditors.

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

22 Share capital

Allotted, called up and fully paid shares

	No.	2022 £	No.	2021 £
Ordinary share of £1 each	1	1	1	1

Rights, preferences and restrictions

Ordinary share have the following rights, preferences and restrictions:

Each share has full rights in the company with respect to voting, dividends and distributions.

23 Reserves

Group

Share capital

Represents the nominal value of the share capital.

Profit and loss account

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

Other reserves

Other equity in reserves relates to capital contributions from the parent company of £22,100,100.

24 Obligations under leases and hire purchase contracts

Group

Finance leases

The total of future minimum lease payments is as follows:

	2022 £	2021 £
Not later than one year	342,172	296,747
Later than one year and not later than five years	151,732	365,167
	<u>493,904</u>	<u>661,914</u>

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

24 Obligations under leases and hire purchase contracts (continued)

Operating leases

The total of future minimum lease payments is as follows:

	2022 £	2021 £
Not later than one year	1,178,922	1,037,644
Later than one year and not later than five years	1,360,534	2,173,149
Later than five years	-	44,601
	<u>2,539,456</u>	<u>3,255,394</u>

25 Analysis of changes in net debt

Group

	At 1 October 2021 £	Financing cash flows £	At 30 September 2022 £
Cash and cash equivalents			
Cash	4,338,910	5,800,275	10,139,185
Borrowings			
Long term borrowings	(11,060,000)	2,168,750	(8,891,250)
Short term borrowings	(2,168,750)	-	(2,168,750)
Lease liabilities	(661,914)	168,010	(493,904)
Amounts owed to group undertakings	<u>(25,800,663)</u>	<u>(22,155,591)</u>	<u>(47,956,254)</u>
	<u>(39,691,327)</u>	<u>(19,818,831)</u>	<u>(59,510,158)</u>
	<u>(35,352,417)</u>	<u>(14,018,556)</u>	<u>(49,370,973)</u>

26 Related party transactions

Group

Key management compensation

	2022 £	2021 £
Salaries and other short term employee benefits	434,934	163,370
Post-employment benefits	<u>7,698</u>	<u>1,208</u>
	<u>442,632</u>	<u>164,578</u>

Summary of transactions with entities with joint control or significant interest

The Company has taken advantage of the exemption allowed under section 33 of FRS 102 from disclosing transactions with the immediate parent company as the Company is 100% owned.

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2022 (continued)

27 Parent and ultimate parent undertaking

In the opinion of the directors the ultimate parent is Griffon Corporation, incorporated in United States of America. The registered address of Griffon Corporation is 712 5th Avenue, New York, 10019.

The directors present their report and the for the year ended 30 September 2022.

The parent of the largest group in which these financial statements are consolidated is Griffon Corporation, incorporated in United States of America.

The address of Griffon Corporation is:
712 5th Avenue, New York, 10019

These financial statements are available upon request from Companies House.

28 Non adjusting events after the financial period

In June 2023, following a consultation period, it was announced that the warehousing and distribution of pots from Vatre Terracotta Limited would be relocated to the Kelkay Limited site.

In June 2023, external debt with HSBC totalling £10.1m was repaid and overdrafts of £4m were cleared, funded by additional intercompany debt with Griffon (the ultimate controlling party).

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.