

Registration number: 10811776

THE AMES COMPANIES UK LTD
Annual Report and Consolidated Financial Statements
for the Year Ended 30 September 2020



The Ames Companies UK Ltd

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The Ames Companies UK Ltd

Company Information

Directors R F Mehmel
P North
B G Harris
M F Wilson
W C Durborow

Company secretary M F Wilson

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 2020

The directors present their strategic report for the year ended 30 September 2020.

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 2020 or 30 September 2019. 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 in Covid-19 and Brexit, the Directors are satisfied with the Group's performance during the year ending 30th September 2020. The prior year trading was impacted by additional amortisation charges and interest expenses payable on group borrowings. The Subsidiary businesses saw sales revenues increase over prior year despite being closed for periods during the National Lockdown; and although operating profits margins decreased over the same period, they were acceptable to the Directors given the increases in raw material costs, transport costs and periods of Covid-19 trading restrictions.

On 29 November 2019, the Group acquired Vatre Group Limited along with its trading subsidiary Vatre Terracotta Limited.

The Group continued to invest in product development and people.

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

	Unit	2020	2019
Gross margin	%	20.4	21.6
Operating profit	%	2.4	(1.8)

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.

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Approved by the Board on and signed on its behalf by:

DocuSigned by:

Brian Harris

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B G Harris
Director

The Ames Companies UK Ltd

Directors' Report for the Year Ended 30 September 2020

The directors present their report and the consolidated financial statements for the year ended 30 September 2020.

Directors of the group

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

R F Mehmel
S A Hupfeld (resigned 29 September 2020)
P North (appointed 6 July 2020)
B G Harris
M F Wilson (appointed 6 July 2020)

The following director was appointed after the year end:

W C Durborow (appointed 30 June 2021)

Future developments

The Group continued to invest in product development 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 in Covid-19 and Brexit, post year end cash shortfalls have been addressed by obtaining funding from the ultimate parent group.

A letter of support has been obtained from Griffon Corporation, the US parent entity, confirming they will continue to support The Ames Companies UK Limited and its subsidiaries for at least 12 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 12 months from the date of approval of these financial statements, nor will they act on any related covenants such that the loans would be categorised as due in less than 12 months if The Ames Companies UK Limited's forecasts show that they are unable to afford such payments. 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 2021 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.

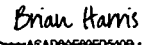
Disclosure of information to the auditor

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. 28/9/2021 | 15:14 BST

Approved by the Board on and signed on its behalf by:

DocuSigned by:

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B G Harris
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.

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Approved by the Board on and signed on its behalf by:

DocuSigned by:

Brian Harris

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B G Harris
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 2020, which comprise the Consolidated Income Statement, 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 2020 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 4], 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.

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.

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;

The Ames Companies UK Ltd

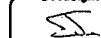
Independent Auditor's Report to the Members of The Ames Companies UK Ltd (continued)

- 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
 - 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.

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.

DocuSigned by:



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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

28/9/2021 | 15:19 BST

Date:.....

The Ames Companies UK Ltd

Consolidated Income Statement for the Year Ended 30 September 2020

	Note	2020 £	2019 £
Turnover	3	61,112,790	43,363,353
Cost of sales		<u>(48,653,288)</u>	<u>(34,014,043)</u>
Gross profit		12,459,502	9,349,310
Administrative expenses		(11,771,347)	(10,150,350)
Other operating income	4	<u>779,504</u>	<u>-</u>
Operating profit/(loss)	5	1,467,659	(801,040)
Other interest receivable and similar income	6	10,164	3,560
Interest payable and similar expenses	7	<u>(1,133,025)</u>	<u>(1,274,114)</u>
Profit/(loss) before tax		344,798	(2,071,594)
Taxation	11	<u>(345,507)</u>	<u>(289,804)</u>
Loss for the financial year		<u>(709)</u>	<u>(2,361,398)</u>
Profit/(loss) attributable to:			
Owners of the company		<u>(709)</u>	<u>(2,361,398)</u>

The group has no recognised gains or losses for the year other than the results above.

There was no other comprehensive income for 2020 (2019: £nil)

The notes on pages 13 to 31 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 2020

	Note	2020 £	Group 2019 £	2020 £	Company 2019 £
Fixed assets					
Intangible assets	12	35,659,833	34,507,848	-	-
Tangible assets	13	10,314,915	9,104,624	-	-
Investments	14	-	-	64,036,656	53,294,008
		<u>45,974,748</u>	<u>43,612,472</u>	<u>64,036,656</u>	<u>53,294,008</u>
Current assets					
Stocks	16	6,144,071	6,042,312	-	-
Debtors	17	12,700,092	5,595,629	83,664	113,013
Cash at bank and in hand	18	13,359,125	6,507,356	73,163	50,775
		<u>32,203,288</u>	<u>18,145,297</u>	<u>156,827</u>	<u>163,788</u>
Creditors: Amounts falling due within one year	19	<u>(14,795,147)</u>	<u>(8,386,294)</u>	<u>(8,640,890)</u>	<u>(6,295,192)</u>
Net current assets/(liabilities)		<u>17,408,141</u>	<u>9,759,003</u>	<u>(8,484,063)</u>	<u>(6,131,404)</u>
Total assets less current liabilities		63,382,889	53,371,475	55,552,593	47,162,604
Creditors: Amounts falling due after more than one year	19	<u>(38,141,842)</u>	<u>(28,341,803)</u>	<u>(38,141,842)</u>	<u>(28,341,803)</u>
Provisions for liabilities		<u>(5,161,434)</u>	<u>(4,949,350)</u>	-	-
Net assets		<u>20,079,613</u>	<u>20,080,322</u>	<u>17,410,751</u>	<u>18,820,801</u>
Capital and reserves					
Called up share capital	22	1	1	1	1
Other reserves	23	22,100,000	22,100,000	22,100,000	22,100,000
Profit and loss account	23	<u>(2,020,388)</u>	<u>(2,019,679)</u>	<u>(4,689,250)</u>	<u>(3,279,200)</u>
Equity attributable to owners of the company		<u>20,079,613</u>	<u>20,080,322</u>	<u>17,410,751</u>	<u>18,820,801</u>
Total equity		<u>20,079,613</u>	<u>20,080,322</u>	<u>17,410,751</u>	<u>18,820,801</u>

Approved and authorised by the Board on and signed on its behalf by:

28/9/2021 | 15:14 BST

DocuSigned by:

Brian Harris

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B G Harris
Director

The notes on pages 13 to 31 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 2020

	Share capital £	Other reserves £	Profit and loss account £	Total equity £
At 1 October 2018	1	22,100,000	341,719	22,441,720
Loss for the year	-	-	(2,361,398)	(2,361,398)
Total comprehensive income	-	-	(2,361,398)	(2,361,398)
At 30 September 2019	1	22,100,000	(2,019,679)	20,080,322

	Share capital £	Other reserves £	Profit and loss account £	Total equity £
At 1 October 2019	1	22,100,000	(2,019,679)	20,080,322
Loss for the year	-	-	(709)	(709)
Total comprehensive income	-	-	(709)	(709)
At 30 September 2020	1	22,100,000	(2,020,388)	20,079,613

Company Statement of Changes in Equity for the Year Ended 30 September 2020

	Share capital £	Other reserves £	Profit and loss account £	Total £
At 1 October 2018	1	22,100,000	(1,642,350)	20,457,651
Loss for the year	-	-	(1,636,850)	(1,636,850)
Total comprehensive income	-	-	(1,636,850)	(1,636,850)
At 30 September 2019	1	22,100,000	(3,279,200)	18,820,801

	Share capital £	Other reserves £	Profit and loss account £	Total £
At 1 October 2019	1	22,100,000	(3,279,200)	18,820,801
Loss for the year	-	-	(1,410,050)	(1,410,050)
Total comprehensive income	-	-	(1,410,050)	(1,410,050)
At 30 September 2020	1	22,100,000	(4,689,250)	17,410,751

The notes on pages 13 to 31 form an integral part of these financial statements.

The Ames Companies UK Ltd

Consolidated Statement of Cash Flows for the Year Ended 30 September 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Loss for the year		(709)	(2,361,398)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	4,146,784	4,291,384
Loss/(profit) on disposal of tangible assets		275	(18,430)
Finance income	6	(10,164)	-
Finance costs	7	1,133,025	1,274,114
Income tax expense	11	345,507	289,804
Foreign exchange (gains) / losses		-	29,940
		<u>5,614,718</u>	<u>3,505,414</u>
Working capital adjustments			
Decrease in stocks	16	2,812,441	1,081,290
(Increase)/decrease in debtors	17	(5,341,725)	2,397,481
Increase in creditors	19	<u>5,397,365</u>	<u>514,270</u>
Cash generated from operations		8,482,799	7,498,455
Income taxes paid	11	<u>(311,651)</u>	<u>(1,141,000)</u>
Net cash flow from operating activities		<u>8,171,148</u>	<u>6,357,455</u>
Cash flows from investing activities			
Interest received		10,164	3,560
Acquisitions of tangible assets		(1,956,771)	(1,351,828)
Proceeds from sale of tangible assets		73,497	52,420
Deferred consideration paid		-	(1,333,333)
Reduction in deferred consideration		-	108,961
Acquisition of subsidiary entities		<u>(8,544,058)</u>	<u>-</u>
Net cash flows from investing activities		<u>(10,417,168)</u>	<u>(2,520,220)</u>
Cash flows from financing activities			
Interest paid	7	(465,487)	(541,025)
Repayment of bank borrowing		(433,750)	(2,168,750)
Proceeds from other borrowing draw downs		23,000,000	3,000,000
Repayment of other borrowing		(13,000,000)	(3,000,000)
Payments to finance lease creditors		<u>(2,974)</u>	<u>(41,843)</u>
Net cash flows from financing activities		<u>9,097,789</u>	<u>(2,751,618)</u>
Net increase in cash and cash equivalents		6,851,769	1,085,617
Cash and cash equivalents at 1 October		<u>6,507,356</u>	<u>5,421,739</u>
Cash and cash equivalents at 30 September		<u>13,359,125</u>	<u>6,507,356</u>

The notes on pages 13 to 31 form an integral part of these financial statements.

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2020

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 UK and Republic of Ireland'.

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 2020 (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 in Covid-19 and Brexit, post year end cash shortfalls have been addressed by obtaining funding from the ultimate parent group.

A letter of support has been obtained from Griffon Corporation, the US parent entity, confirming they will continue to support The Ames Companies UK Limited and its subsidiaries for at least 12 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 12 months from the date of approval of these financial statements, nor will they act on any related covenants such that the loans would be categorised as due in less than 12 months if The Ames Companies UK Limited's forecasts show that they are unable to afford such payments. 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 2021 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.

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.

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.

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

2 Accounting policies (continued)

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 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.

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

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 Statement of comprehensive income 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.

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

2 Accounting policies (continued)

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.

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 statement of comprehensive income.

Depreciation is provided on the following basis:

Asset class	Depreciation method and rate
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% reducing balance

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.

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

2 Accounting policies (continued)

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.

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.

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.

Inventories

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.

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.

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

2 Accounting policies (continued)

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.

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 statement of comprehensive income 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 company'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 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.

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

2 Accounting policies (continued)

Financial instruments

The Group only enters into 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.

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 outright 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.

3 Revenue

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

	2020	2019
	£	£
Sale of goods	<u>61,112,790</u>	<u>43,363,353</u>

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

	2020	2019
	£	£
UK	58,785,473	41,564,878
Europe	1,788,927	1,376,500
Rest of world	538,390	421,975
	<u>61,112,790</u>	<u>43,363,353</u>

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

4 Other operating income

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

	2020	2019
	£	£
Government grants	<u>779,504</u>	<u>-</u>

The group has received government assistance via the Coronavirus Job Retention Scheme of £779,503. This was claimed against the staff costs of the group.

5 Operating profit/(loss)

Arrived at after charging/(crediting)

	2020	2019
	£	£
Depreciation expense	760,162	557,524
Amortisation expense	3,386,622	3,733,860
Foreign exchange gains	(175,723)	(29,940)
Loss/(profit) on disposal of property, plant and equipment	275	(18,430)
Amounts charged in respect of operating lease rentals	<u>649,831</u>	<u>338,650</u>

6 Other interest receivable and similar income

	2020	2019
	£	£
Interest income on bank deposits	<u>10,164</u>	<u>3,560</u>

7 Interest payable and similar expenses

	2020	2019
	£	£
Interest on bank overdrafts and borrowings	465,228	538,263
Interest expense on other finance liabilities	259	2,762
Interest payable on loans from group undertakings	<u>667,538</u>	<u>733,089</u>
	<u>1,133,025</u>	<u>1,274,114</u>

8 Staff costs

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

	2020	2019
	£	£
Wages and salaries	8,097,439	5,611,742
Social security costs	754,943	547,356
Pension costs, defined contribution scheme	<u>320,885</u>	<u>88,964</u>
	<u>9,173,267</u>	<u>6,248,062</u>

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

8 Staff costs (continued)

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

	2020 No.	2019 No.
Production	201	120
Administration and support	67	60
Other departments	6	3
	<u>274</u>	<u>183</u>

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £	2019 £
Remuneration	82,603	325,000
Contributions paid to money purchase schemes	4,330	1,095
	<u>86,933</u>	<u>326,095</u>

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

	2020 No.	2019 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>1</u>

In respect of the highest paid director:

	2020 £	2019 £
Remuneration	52,667	325,000
Company contributions to money purchase pension schemes	311	1,095

10 Auditors' remuneration

	2020 £	2019 £
Audit of these financial statements	5,000	5,000
Audit of the financial statements of subsidiaries of the company pursuant to legislation	<u>103,500</u>	<u>44,000</u>
	<u>108,500</u>	<u>49,000</u>
Other fees to auditors		
All other assurance services	<u>7,000</u>	<u>-</u>

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

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

11 Taxation

Tax charged/(credited) in the income statement

	2020 £	2019 £
Current taxation		
UK corporation tax	624,825	311,602
UK corporation tax adjustment to prior periods	54,061	(102,203)
	<u>678,886</u>	<u>209,399</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(335,043)	93,682
Arising from changes in tax rates and laws	1,664	(13,277)
Total deferred taxation	<u>(333,379)</u>	<u>80,405</u>
Tax expense in the income statement	<u>345,507</u>	<u>289,804</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2019 - the same as the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit/(loss) before tax	<u>344,798</u>	<u>(2,071,594)</u>
Corporation tax at standard rate	65,512	(393,603)
Effect of expense not deductible in determining taxable profit (tax loss)	266,090	216,869
Deferred tax expense relating to changes in tax rates or laws	14,904	582,018
Deferred tax expense/(credit) from unrecognised temporary difference from a prior period	1,664	(13,277)
Decrease in UK and foreign current tax from adjustment for prior periods	(54,061)	(102,203)
Tax increase from effect of capital allowances and depreciation	51,398	-
Total tax charge	<u>345,507</u>	<u>289,804</u>

There were no factors that may affect future tax charges.

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

11 Taxation (continued)

Deferred tax

Group

Deferred tax assets and liabilities

	Liability £
2020	
Accelerated capital allowances	301,744
Intangibles	4,419,498
Other short-term timing differences	<u>(100,815)</u>
	<u>4,620,427</u>
2019	
Accelerated capital allowances	193,884
Intangibles	4,808,517
Other short-term timing differences	<u>(53,051)</u>
	<u>4,949,350</u>

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

12 Intangible assets

Group

	Goodwill £	Designs £	Contractual customer relationships £	Brands £	Non-compete agreements £	Total £
Cost or valuation						
At 1 October 2019	11,073,353	178,892	6,600,000	21,911,167	40,000	39,803,412
Acquired through business combinations	5,871,940	-	-	-	-	5,871,940
Reduction in deferred consideration	(1,333,333)	-	-	-	-	(1,333,333)
At 30 September 2020	<u>15,611,960</u>	<u>178,892</u>	<u>6,600,000</u>	<u>21,911,167</u>	<u>40,000</u>	<u>44,342,019</u>
Amortisation						
At 1 October 2019	1,873,487	38,760	725,898	2,636,308	21,111	5,295,564
Amortisation charge	1,339,155	17,889	458,462	1,557,783	13,333	3,386,622
At 30 September 2020	<u>3,212,642</u>	<u>56,649</u>	<u>1,184,360</u>	<u>4,194,091</u>	<u>34,444</u>	<u>8,682,186</u>
Carrying amount						
At 30 September 2020	<u>12,399,318</u>	<u>122,243</u>	<u>5,415,640</u>	<u>17,717,076</u>	<u>5,556</u>	<u>35,659,833</u>
At 30 September 2019	<u>9,199,866</u>	<u>140,132</u>	<u>5,874,102</u>	<u>19,274,859</u>	<u>18,889</u>	<u>34,507,848</u>

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

13 Tangible assets

Group

	Land and buildings £	Office equipment £	Plant and machinery £	Computer equipment £	Motor vehicles £	Total £
Cost or valuation						
At 1 October 2019	6,964,272	277,542	2,179,091	192,528	273,273	9,886,706
Additions	955,807	116,660	778,750	57,337	48,217	1,956,771
Acquired through business combinations	-	-	41,931	15,166	30,357	87,454
Disposals	-	-	(38,063)	-	(142,140)	(180,203)
At 30 September 2020	<u>7,920,079</u>	<u>394,202</u>	<u>2,961,709</u>	<u>265,031</u>	<u>209,707</u>	<u>11,750,728</u>
Depreciation						
At 1 October 2019	105,343	89,432	510,205	39,314	37,788	782,082
Charge for the year	99,873	77,599	401,901	78,217	102,572	760,162
Eliminated on disposal	-	-	(26,044)	-	(80,387)	(106,431)
At 30 September 2020	<u>205,216</u>	<u>167,031</u>	<u>886,062</u>	<u>117,531</u>	<u>59,973</u>	<u>1,435,813</u>
Carrying amount						
At 30 September 2020	<u>7,714,863</u>	<u>227,171</u>	<u>2,075,647</u>	<u>147,500</u>	<u>149,734</u>	<u>10,314,915</u>
At 30 September 2019	<u>6,858,929</u>	<u>188,110</u>	<u>1,668,886</u>	<u>153,214</u>	<u>235,485</u>	<u>9,104,624</u>

Included within the net book value of land and buildings above is £7,702,362 (2019 - £6,844,929) in respect of freehold land and buildings and £12,501 (2019 - £14,000) in respect of long leasehold land and buildings.

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

14 Investments

Company

	2020 £	2019 £
Investments in subsidiaries	<u>64,036,656</u>	<u>53,294,008</u>

Subsidiaries

£

Cost or valuation

At 1 October 2019	55,227,341
Additions	<u>12,075,982</u>
At 30 September 2020	<u>67,303,323</u>

Provision

At 1 October 2019	1,933,333
Provision	<u>1,333,334</u>
At 30 September 2020	<u>3,266,667</u>

Carrying amount

At 30 September 2020	<u>64,036,656</u>
At 30 September 2019	<u>53,294,008</u>

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:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2020	2019
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%	0%

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

14 Investments (continued)

Undertaking	Registered office	Holding	Proportion of voting rights and shares held
Vatre Terracotta Limited	Unit J1 Dencora Way Leacon Road, Fairwood Business Park, Ashford, Kent, TN23 4FH	Ordinary**	100% 0%

*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.

15 Business combinations

On 29 November 2019, The Ames Companies UK Ltd acquired 100% of the issued share capital of Vatre Group Limited, obtaining control.

Vatre Group Limited contributed £14,486,846 revenue and £2,457,753 to the group's profit for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

15 Business combinations (continued)

	Book value 2020 £	Fair value 2020 £
Assets and liabilities acquired		
Financial assets	5,863,994	5,863,994
Stocks	2,914,200	2,914,200
Tangible assets	87,454	87,454
Financial liabilities	(2,661,606)	(2,661,606)
Total identifiable assets	6,204,042	6,204,042
Goodwill	5,871,940	5,871,940
Total consideration	12,075,982	12,075,982
Cash flow analysis:		
Cash consideration	12,075,982	12,075,982
Less: cash and cash equivalent balances acquired	(3,531,924)	(3,531,924)
Net cash outflow arising on acquisition	8,544,058	8,544,058

16 Stocks

	2020 £	Group 2019 £	2020 £	Company 2019 £
Finished goods and goods for resale	6,144,071	6,042,312	-	-

17 Debtors

	Note	2020 £	Group 2019 £	2020 £	Company 2019 £
Trade debtors		11,777,489	4,537,116	-	-
Other debtors		560,377	113,013	83,664	113,013
Prepayments		336,445	350,387	-	-
Corporation tax asset	11	25,781	595,113	-	-
		12,700,092	5,595,629	83,664	113,013

18 Cash and cash equivalents

	2020 £	Group 2019 £	2020 £	Company 2019 £
Cash at bank	13,359,125	6,507,356	73,163	50,775

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

19 Creditors

	Note	2020 £	Group 2019 £	2020 £	Company 2019 £
Due within one year					
Loans and borrowings	20	2,168,750	1,737,974	2,168,750	1,735,000
Trade creditors		4,189,533	2,185,885	-	-
Amounts due to related parties		-	-	6,472,140	3,372,140
Social security and other taxes		2,651,663	506,962	-	-
Other creditors		230,806	1,510,740	-	1,188,052
Accruals		5,554,395	2,444,733	-	-
		<u>14,795,147</u>	<u>8,386,294</u>	<u>8,640,890</u>	<u>6,295,192</u>
Due after one year					
Loans and borrowings	20	13,228,750	14,096,250	13,228,750	14,096,250
Amounts due to group undertakings		<u>24,913,092</u>	<u>14,245,553</u>	<u>24,913,092</u>	<u>14,245,553</u>
		<u>38,141,842</u>	<u>28,341,803</u>	<u>38,141,842</u>	<u>28,341,803</u>

20 Loans and borrowings

	2020 £	Group 2019 £	2020 £	Company 2019 £
Current loans and borrowings				
Bank borrowings	2,168,750	1,735,000	2,168,750	1,735,000
Hire purchase and finance lease liabilities	-	2,974	-	-
	<u>2,168,750</u>	<u>1,737,974</u>	<u>2,168,750</u>	<u>1,735,000</u>
Non-current loans and borrowings				
Bank borrowings	13,228,750	14,096,250	13,228,750	14,096,250
Amounts due to group undertakings	<u>24,913,092</u>	<u>14,245,553</u>	<u>24,913,092</u>	<u>14,245,553</u>
	<u>38,141,842</u>	<u>28,341,803</u>	<u>38,141,842</u>	<u>28,341,803</u>

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

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 £320,885 (2019 - £88,964).

Contributions totalling £35,673 (2019 - £19,622) were payable to the scheme at the end of the year and are included in creditors.

22 Share capital

Allotted, called up and fully paid shares

	No.	2020 £	No.	2019 £
Ordinary share of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

23 Reserves

Group

Profit and loss account

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

24 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	575,512	299,293
Later than one year and not later than five years	565,611	563,825
Later than five years	<u>5,833</u>	<u>72,583</u>
	<u>1,146,956</u>	<u>935,701</u>

The Ames Companies UK Ltd

Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

25 Analysis of changes in net debt

Group

	At 1 October 2019 £	Financing cash flows £	Acquisition of subsidiaries £	Other non-cash changes £	At 30 September 2020 £
Cash and cash equivalents					
Cash	6,507,356	3,319,845	3,531,924	-	13,359,125
Borrowings					
Long term borrowings	(14,096,250)	867,500	-	-	(13,228,750)
Short term borrowings	(1,735,000)	(433,750)	-	-	(2,168,750)
Lease liabilities	(2,974)	2,974	-	-	-
Amounts owed to group undertakings	(14,245,553)	(10,000,000)	-	(667,539)	(24,913,092)
	<u>(30,079,777)</u>	<u>(9,563,276)</u>	<u>-</u>	<u>(667,539)</u>	<u>(40,310,592)</u>
	<u>(23,572,421)</u>	<u>(6,243,431)</u>	<u>3,531,924</u>	<u>(667,539)</u>	<u>(26,951,467)</u>

26 Parent and ultimate parent undertaking

The ultimate parent is Griffon Corporation, incorporated in United States of America.

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 Fifth Avenue, Manhattan, NY 10019, United States.